

# CAFR

## 2016

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



**MURIEL BOWSER**  
MAYOR

**JEFFREY S. DEWITT**  
CHIEF FINANCIAL OFFICER

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

**YEAR ENDED SEPTEMBER 30, 2016**





**MURIEL BOWSER**  
MAYOR

January 25, 2017

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District's) Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR). For the twentieth consecutive year, the audit opinion is unqualified (unmodified), and for the second year in a row the auditor found no significant deficiencies or material weaknesses. The District's finances continue to be amongst the strongest of any jurisdiction in the nation, and this has allowed us in Fiscal Year 2017 to continue creating pathways to the middle class by increasing funding to public education, homeless services, affordable housing, and public safety. We have made these strategic investments while continuing to ensure the city's long-term financial stability and viability.

The District also continues to make significant investments in our neighborhoods and in development projects that enhance the overall quality of life of our residents and those that do business within our borders. Our population continues to grow at a record pace because of the public and private investments that are being made across the city. Washington, DC continues to be a great place to live and work. My administration works every day to ensure that our growing prosperity provides opportunities to succeed for all residents in all neighborhoods.

With your support, we will continue working to lift communities in every ward to build a more prosperous, equitable, and sustainable District of Columbia.

Sincerely,

A handwritten signature in black ink, appearing to read "Muriel Bowser".

Muriel Bowser  
Mayor



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



**Jeffrey S. DeWitt**  
Chief Financial Officer

January 25, 2017

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

Dear Mayor Bowser:

It is my pleasure to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2016. Consistent with District law (D.C. Code §47-119), the city's FY 2016 financial statements have been examined by a team of independent accountants. I am happy to report that the independent accountants, SB & Company, LLC, issued an unmodified (clean) opinion on the District's FY 2016 financial statements. A clean opinion indicates that, as a result of their examination, the independent accountants found no material misstatements in the financial statements. An unmodified (or clean) audit opinion gives the Mayor, Council, District residents and other stakeholders assurance that the financial statements are accurate, reliable, and prepared in accordance with required standards. This marks the 20th consecutive year in which the District has received an unmodified (clean) opinion as a result of its annual financial audit.

As the CAFR for the year ended September 30, 2016 demonstrates, the District's financial position and economic condition remained strong during FY 2016. Job growth continued to be on the rise as the population and number of households within the District grew. In addition, during FY 2016, the District's unemployment rate decreased from 7.2% (revised seasonally adjusted) to 6.1%.

Due to the District's strong financial position, the city was able to further fortify its financial reserves. As of September 30, 2016, the District's federally and locally mandated reserves (the District's liquidity funds) increased by \$180.3 million, an increase from 49 days of operating cash to 56.2 days, slightly below our target of 60 days. In addition, due to the District's demonstrated ability to sustain financial strength and stability, the District's bond ratings also remained strong in FY 2016. The FY 2016 ratings were as follows: *General Obligation (GO) Bonds*: Fitch Ratings, AA; Moody's Investors Service, Aa1; and Standard and Poor's, AA and *Income Tax Secured (ITS) Revenue Bonds*: Fitch Ratings, AA+; Moody's Investors Service, Aa1; and Standard and Poor's, AAA.

Having strong bond ratings allowed the District to access the credit markets and issue \$431.8 million in GO Bonds and \$95.6 million in ITS Revenue Bonds at very low interest rates in FY 2016. As a result, more funding was available for needed programs and services for District residents. The proceeds of these bonds were used to finance economic development initiatives, infrastructure improvements, and other capital projects.

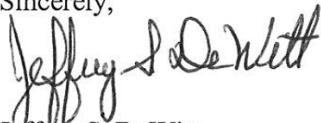
Due to the District's sound financial management practices and sustained financial strength, in FY 2016, the city was also able to rely less heavily on short-term financing for seasonal operating needs. During

FY 2016, the District issued \$250 million in Tax Revenue Anticipation Notes (TRANs), which was a reduction of \$150 million from FY 2015 and significantly less than amounts issued in FY 2013 (\$675 million) and FY 2014 (\$405 million). Because the District is positioned extremely well financially, the city was able to build reserves to fund seasonal cash flow needs for FY 2017 without issuing TRANs, eliminating the costs associated with short-term borrowing.

The ability to maintain a "healthy financial outlook" will require that the District continue to utilize sound and proven financial management practices. The OCFO will continue to focus its efforts on achieving balanced budgets and clean audit opinions each year and maintaining the District's ability to access quality credit markets. In addition, we are committed to improving our financial operations by: improving the quality of service provided to residents and other stakeholders; improving the transparency and quality of financial information produced by the OCFO; effectively managing risk to prevent fraud; implementing quality financial systems; developing, recruiting, and retaining highly qualified employees; and managing fair and equitable systems and processes for collecting District revenues.

As the District's Chief Financial Officer, I would like to recognize the efforts of the city's elected officials and their staffs. Without their leadership, dedication and commitment, the District would not have achieved its current level of financial success. I also want to express my sincere gratitude to the financial staff working in the agencies, the central OCFO offices, as well as others across the city who have supported our efforts to successfully manage and account for the District's financial resources during the past year. Working together, collaboratively, we were able to operate within established budgetary constraints and issue the District's FY 2016 CAFR on time with a clean audit opinion. Congratulations to all and thank you for a job well done.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeffrey S. DeWitt". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent.

Jeffrey S. DeWitt  
Chief Financial Officer

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2016**

**Muriel Bowser**

**Mayor**

**Jeffrey S. DeWitt**

**Chief Financial Officer**

**John A. Wilson Building**

**1350 Pennsylvania Avenue, NW**

**Washington, DC 20004**



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**DISTRICT OF COLUMBIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2016**

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**DISTRICT OF COLUMBIA  
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# CAFR 2016

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



INTRODUCTORY SECTION



**MURIEL BOWSER**  
MAYOR

**JEFFREY S. DEWITT**  
CHIEF FINANCIAL OFFICER

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

**YEAR ENDED SEPTEMBER 30, 2016**



# Government of the District of Columbia



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

1100 4th Street, S.W., 8th Floor  
Washington, DC 20024  
(202) 442-8200  
(Fax) (202) 442-8201

January 25, 2017

Mr. Jeffrey S. DeWitt  
Chief Financial Officer

The Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2016, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management and the Office of the Chief Financial Officer (OCFO). To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for state and local governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain an understanding of the District's financial activities.

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

Due to certain inherent limitations, such as prohibitive costs, judgment errors, or potential for management

override and collusion, internal control can only provide reasonable assurance that management's objectives will be achieved. However, routine periodic audits help management assess, on an on-going basis, the adequacy of the District's internal controls.

In accordance with D.C. Code § 47-119, independent public accountants audited the District's financial statements for the year ended September 30, 2016. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In addition to issuing an opinion on the District's financial statements, the independent public accountants, SB & Company, LLC, prepared a report, which was issued in conjunction with the CAFR, that discussed the independent public accountants' consideration of the District's internal control over financial reporting and the outcome of the auditor's tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other related requirements. This report is commonly referred to as the Yellow Book Report.

Moreover, an audit of compliance with the Federal Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which superseded OMB Circular A-133 and other related guidances, is also performed annually and a separate report, often referred to as the Single Audit Report, is issued by independent public accountants. The District's fiscal year 2016 Single Audit Report will be issued at a later date.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and, therefore, does not discuss the District's financial operations and results, which are fully discussed in the MD&A. For that reason, this letter should be read in conjunction with the MD&A in order to gain a better understanding of the District's financial condition.

## PROFILE OF THE GOVERNMENT

### Overview: Historical Background of the District

President George Washington established Washington, D.C. (herein after referred to as D.C., the District of Columbia, or the District) in 1791 from territory ceded by the State of Maryland and the Commonwealth of Virginia. The United States Congress assumed jurisdiction over the District of Columbia, but citizens residing in the District of Columbia did not have voting representation in Congress.

Significant dates in the history of the District of Columbia are presented in the timeline shown in **Table T1**.

**Table T1 – Timeline: Key Dates in the History of the District of Columbia**

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

Although Congress passed the Home Rule Act in 1973, Congress retained and continues to retain the right to review and overturn the legislative acts of the Council if both houses of Congress vote within 30 legislative days to do so. In addition, the local funds budget is reviewed and passively approved by Congress, and the federal funds budget must be approved by Congress and the President of the United States.

The Home Rule Act prohibits the taxing of federal property and the income of non-District residents who work in the District.

In 1983, it was determined that the District could legally issue its own debt. On October 15, 1984, the District issued municipal debt for the first time, in the form of Tax Revenue Anticipation Notes (TRANS), which totaled \$150 million.

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

*The Delegate shall have a seat in the House of Representatives, with the right of debate, but not of voting, shall have all the privileges granted a Representative by § 6 of Article I of the Constitution, and shall be subject to the same restrictions and regulations as are imposed by law or rules on Representatives. The Delegate shall be elected to serve during each Congress.*

The current D.C. Delegate, Congresswoman Eleanor Holmes Norton, has no voting power. However, despite her voting limitations, she has been able to accomplish much on behalf of the District of Columbia. Some of her recent accomplishments include the following:

- Introduced the Flood Prevention Act of 2016 to amend the Coastal Zone Management Act of 1972 (CZMA) in order to include the District of Columbia in the definition of a coastal state and to allow the District to receive Federal funding under such Act, and for other purposes. The CZMA was passed in 1972 before the District achieved home rule and therefore, was excluded from the coastal state(s) which is comprised of the states and the U.S. territories. The CZMA provides planning and technical services to assist states in protecting, restoring, and developing coastal communities and resources. Once the federal government approves a state's coastal management plan, the state becomes eligible for grants. Even though the District has substantial coastal flood risks and is under threat from rising sea levels, the District is omitted from the list of eligible states and territories in the CZMA. The Flood Prevention Act of 2016 intends to make the District eligible to receive federal funding and give the District oversight for federally issued permits/facilities/and actions that affect the coastal waters of the District.
- Introduced two bills that were subsequently passed by the House of Representatives to improve the District of Columbia's local justice system. One bill enhances financial disclosure requirements for local D.C. judges, making them similar to



the disclosure requirements already in place for federal judges, and makes other improvements to the D.C. courts. This bill includes four provisions: authorizes the use of magistrate judges to serve in the Probate Division; grants the D.C. courts authority to accept credit cards, other forms of electronic funds transfer, and checks; increases the jurisdictional amount of the Small Claims and Conciliation Branch of the D.C. Superior Court from \$5,000 to \$10,000; and allows chief judges of the Superior Court and the Court of Appeals to delegate authority to approve certain vouchers. Congresswoman Norton's other bill provides the D.C. courts and the Public Defender Service for the District of Columbia (PDS) with the same authority that federal courts and federal agencies have to offer voluntary separation incentive payments, or buyouts, to their employees. Having the ability to offer buyouts will allow the D.C. Courts and PDS to respond to their future administrative and budget needs, and will provide certain flexibility to extend buyout offers to their employees. The fiscal year 2016 omnibus bill gave D.C. courts buyout authority; however, Congresswoman Norton's bill will make this authorization permanent, and extends it to PDS in addition to the courts.

- Requested that the National Park Service (NPS) consider creating an online portal to provide District of Columbia residents with regularly updated information on neighborhood parks owned and operated by the NPS in the District, including answers to frequently-asked maintenance questions and contact information for representatives responsible for the parks. In her request, Congresswoman Norton raised the concern that residents struggle to connect directly with NPS representatives to submit maintenance requests or to find contact information for the superintendent responsible for their neighborhood park. To alleviate such issues, she emphasized that the proposed portal should, ideally, include: centralized and easy-to-navigate information about all of the parks owned and operated by the NPS in the District; a comprehensive Frequently Asked Questions (FAQ) section that is specific to the District residents' concerns; and contact information for appropriate staff at the NPS to whom District residents can speak or a more detailed email form that allows residents to select the park and issue they are having from a drop down menu.
- Introduced an amendment that was included in the Surface Transportation Reauthorization and Reform Act of 2015 (STRR) to implement direct federal safety oversight of the Washington Metropolitan Area Transportation Authority (WMATA) Metrorail system. In addition, the bill includes other important priorities which affect the District of Columbia, such as: increased safety for bus and rail systems; funding for workforce development; small-business contract

opportunities for minorities and women; new pilot funding projects for the rapidly deteriorating Highway Trust Fund; increased funding for National Park Service (NPS) roads to help rebuild Arlington Memorial Bridge; protections for bus and rail operators from assault; and increased restroom breaks for bus and transit operators.

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

### Financial Reporting Entity

For financial reporting purposes, the District's reporting entity consists of: (1) the primary government; (2) five discretely presented component units: Health Benefit Exchange Authority, Housing Finance Agency, Not-For-Profit Hospital Corporation (d/b/a United Medical Center), University of the District of Columbia, and Washington Convention and Sports Authority (t/a Events DC) and; (3) one blended component unit, the Tobacco Settlement Financing Corporation. The District of Columbia Housing Authority and the District of Columbia Water and Sewer Authority are considered related organizations because the District is not financially accountable for their operations. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or the component units have been included in the reporting entity. Further information on the reporting entity can be found in Note 1B, page 60 of the Notes to the Basic Financial Statements.

The District and its component units provide a wide range of services to residents, including elementary, secondary, and postsecondary education; human support and welfare services; public safety and protection; fire and emergency medical services; and other general government services.

### Budgetary Information

During the first quarter of each fiscal year, agencies begin the budget formulation process for the upcoming fiscal year. On or about March 30th of each year, consistent with Section 442 of the Home Rule Act, the Mayor submits a balanced operating budget for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the budget (including a multi-year capital improvement plan, by project, for all District agencies) through passage of a Local Budget Act and a Federal Portion Budget Request Act. The Mayor may not submit and the Council may not adopt any budget which presents expenditures and other financing uses that exceed revenues and other financing sources. After the Mayor approves the adopted budget, the Federal Portion Budget Request Act is forwarded to the President of the United States (the President) and then to Congress for approval. The Local Budget Act is forwarded by the Chairman of the Council to

Congress. Congress enacts the federal portion of the District's budget through passage of an appropriations bill, which is signed into law by the President. The Local Budget Act becomes law upon expiration of a 30 day Congressional review period.

The legally adopted budget is the Federal Portion Budget Request that is approved as part of the annual Appropriations Act passed by Congress and signed by the President, and the Local Budget Act that has been passively approved by Congress. The Local Budget Act authorizes expenditures at the agency level and by appropriation title (function), such as Public Safety and Justice; Human Support Services; or Public Education. To revise planned expenditures of local funds for any function, the Council must enact the appropriate legislation. However, the District may reallocate budgeted amounts using the District's reprogramming process in accordance with applicable legal requirements.

In April, 2013, the Local Budget Autonomy Amendment Act of 2012 was approved by District voters. As approved, this Act would grant the District the right to enact and appropriate its local funds budget without the need for active approval by the United States Congress. The legal validity of this Act was then challenged in the U.S. District Court for the District of Columbia ("District Court"), which concluded that this Act was unlawful and permanently enjoined its enforcement. On appeal, the U.S. Court of Appeals for the District of Columbia, without ruling on the merits of this Act, issued a summary order vacating the District Court's judgment and ordering the District Court to remand the case to the District of Columbia Superior Court ("Superior Court"). Subsequently, the case was remanded to the Superior Court where it ratified the legality of the Local Budget Autonomy Act. No appeal was made in that case.

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the annual Appropriations Act. The District's automated and manual transaction level controls and sound governance provide strong budgetary controls. The annual budget is assigned specific accounting attributes and is uploaded into the District's accounting system of record, thereby establishing the budget authority for each entity within the District government. The budget authority established in the system of record is then reconciled to the levels of funding authorized by the Appropriations Act. In addition, on an annual basis, independent public accountants audit the budgetary comparison statement to ensure compliance with federally approved amounts and to determine whether budget adjustments are properly documented and approved.

The "*District Anti-Deficiency Act of 2002*," which became effective on April 4, 2003, introduced additional budgetary control requirements. This Act requires District managers to develop spending projections, by source of funds, on a monthly basis, which show year-to-date spending, approved budget, year-end

projected spending, explanations of variances greater than 5.00% or \$1 million, and planned corrective actions for instances of overspending. Spending projections are required to be submitted to the agency head and the Agency Fiscal Officer. Summarized spending projections must be submitted to the District's Chief Financial Officer (CFO) no later than 30 days after the end of each month.

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

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

## Fund Balance Reserves:

### Congressionally Mandated

Through Congressional mandate established by 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 expenditures 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%. The contingency cash reserve may be used to provide for nonrecurring or unforeseen needs (e.g., severe weather or other natural disasters, and unexpected obligations created by federal law) that arise during the fiscal year or to cover revenue shortfalls experienced by the District for three consecutive months that are 5.00% or more below the budget forecast. The emergency cash reserve may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature (e.g., natural disaster or calamity) and may be used in the event that the Mayor declares a State of

Emergency in the District.

### Mandated by the District

#### Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency reserve was established. Pursuant to D.C. Code § 47-392.02(j-1), as amended, the fiscal stabilization reserve account may be used by the Chief Financial Officer to cover cash flow needs; provided, that any amounts used shall be replenished to the fiscal stabilization reserve account in the same fiscal year. At full funding, the fiscal stabilization reserve must equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

#### Cash Flow Reserve

The cash flow reserve may be used by the District's CFO as needed to manage the District's cash flow. When a portion of the reserve is used to meet cash flow needs, this reserve must be replenished in the same fiscal year the amounts were used. At full funding, the cash flow reserve must equal 8.33% of the General Fund operating budget for the current fiscal year.

### District Accounting and Financial System

#### Accounting System

The District's accounting system is organized and maintained on a fund basis. A fund is a separate, distinct accounting entity that has its own assets, liabilities, equity, revenues, and expenditures/expenses. The District uses U.S. generally accepted accounting principles (GAAP) when determining the types of funds to be established and is guided by the "minimum number of funds principle" and sound financial management practices when determining the number of funds within each fund type.

#### Measurement Focus and Basis of Accounting

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

- The government - wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.
- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.
- Specialized accounting and reporting principles and practices apply to governmental funds. Proprietary funds, pension and OPEB trust funds are accounted for in the same manner as business enterprises.

- The budgetary basis of accounting is used to prepare the Budgetary Comparison Statement presented in Exhibit 2-d found on page 49. This basis of accounting differs from the GAAP basis as described below:

- **Basis Differences** – The District uses the purchase method for budgetary purposes and the consumption method for GAAP basis accounting for inventories. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Under the consumption method, an expenditure is recognized only when the inventory items are used rather than purchased.
- **Entity Differences** – This basis relates to inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis for reporting purposes. Such activities primarily include the following:
  - i. Fund balance released from restrictions
  - ii. Proceeds from debt restructuring
  - iii. Accounts receivable allowance
  - iv. Operating surplus from enterprise funds
- **Perspective Differences** – Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is used to construct the basic financial statements. The District does not have any significant budgetary perspective differences that limit its ability to present budgetary comparisons of its general fund. The District's Budgetary Comparison Statement is presented as part of the basic financial statements in Exhibit 2-d on page 49.
- **Timing Differences** – Timing differences can exist when there are significant variances between budgetary practices and GAAP, which may include continuing appropriations, project appropriations, automatic re-appropriations, and biennial budgeting. The District has no significant timing differences between its budgetary practices and its GAAP presentation of its financial statements.

### Transparency in Financial Reporting

The OCFO continues to promote openness in government and transparency in financial reporting. Over the last decade, the District has opened its books to the public by posting online the annual operating budget and capital plan, the comprehensive annual financial report, and the popular annual financial report. In addition, the OCFO's website provides information that allows taxpayers to review and assess the District's financial status, programs,



activities and services, and determine how their tax dollars are being used. This information includes: operating financial status reports; capital financial status reports; quarterly revenue estimates; monthly cash reports; monthly/annual economic indicators and other reports; Featured News (including press releases and Council Hearing written testimonies); and links to other useful information, such as the Taxpayer Service Center, the D.C. College Savings Plan, Unclaimed Property Division, and Invest in DC Bonds. The investor information portion of the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)) consolidates much of the information listed above, as well as other financial information pertinent to investors in the District's bonds and members of the public.

## ECONOMIC CONDITION AND OUTLOOK

In fiscal year (FY) 2016, employment within the District continued to increase with two thirds of the additional jobs in the private sector and one third in government (both federal and local). Resident employment also increased. Population growth continues to be a major factor in increasing the District's income, property, and sales tax bases, and is one of the driving forces behind rising home values. In the last five years (between 2011 and 2016), the District's population has grown by almost 61,000 residents, an increase that has averaged about 1,000 residents per month over that period of time. The District's private sector has grown along with sustained growth in the national economy. This has contributed to the growth in the District's tax base.

Federal civilian employment accounts for 26% of all wage and salary jobs located in the District and 32% of the amount of wages and salaries that are generated in the city. Approximately 25% of employed District residents work for the federal government. Furthermore, federal contracting accounts for additional jobs and income in the area, which also contribute to the District's tax base. With such a dominant federal presence, significant changes in federal spending can have a major impact on the District's economy and revenues.

For FY 2016 Congress waived some of the limits in approving appropriation bills that otherwise would have been subject to reduction, known as sequestration, from the previously expected level of federal spending. These sequestration limits are scheduled to return in FY 2018 and continue through FY 2023 unless Congress once again lifts these limits, but the most feasible approach for reducing federal debt remains an unresolved issue.

Federal government expansion cushioned the District and metropolitan area economies from the worst effects of the severe national recession that lasted from 2007 to 2009. The federal government will no doubt continue to anchor the District's economy, but given the ongoing federal fiscal policy uncertainties, the federal government can no longer be counted on

to be a source of significant growth.

### Highlights: The District's Economy

Highlights of recent trends in the District's economy, including rising job growth, increases in population and a strong housing market, are presented below:

- In the three months ended September 2016, there were 12,333 (1.60%) more wage and salary jobs located in the District than a year earlier. Of particular note, there were 4,567 (1.89%) more federal government jobs in September than there were a year earlier, while the private sector jobs increased by 7,767 (1.50%).
- District resident employment in the three months ended September 2016 was 3,940 (1.10%) more than a year earlier.
- The September unemployment rate was 6.10% (seasonally adjusted), a decrease from 6.70% a year ago.
- Wages earned in the District of Columbia grew 5.30% in the quarter ending September 30, 2016, compared to the same quarter a year ago. D.C. personal income was 4.50% higher on September 30, 2016 compared to the same time one year ago.
- Home sales and prices increased in both single family homes and condominiums. Single family sales for the three-month period ended September 2016 were up 8.60% from a year ago, and there was a 2.20% increase in the average selling price. Condominium sales were down 0.50%, and the average price was 3.50% higher. The value of all home sale settled contracts for the three-month period ended September 2016 was 8.00% more than a year ago.
- Commercial office effective rents edged up over the past year. Leased space in September 2016 was down 0.60% from a year ago, while the vacancy rate (including sublets) rose over the past year from 11.40% to 12.70%.
- Hotel room-days sold for the three months ended September 2016 were up 3.20% from the prior year, and hotel room revenues were up by 8.60%.

### Key Factors in the District's Economy

#### Population

The U.S. Census Bureau estimated that there were 681,170 residents in the District of Columbia, as of July 1, 2016. This represents an increase of 10,793, or 1.61%, from the revised July 1, 2015 estimate of 670,377. Annual census estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move in and out of the District each year. **Chart T1** presents the District's population trends for calendar years 2012 through 2016.



Income Trends

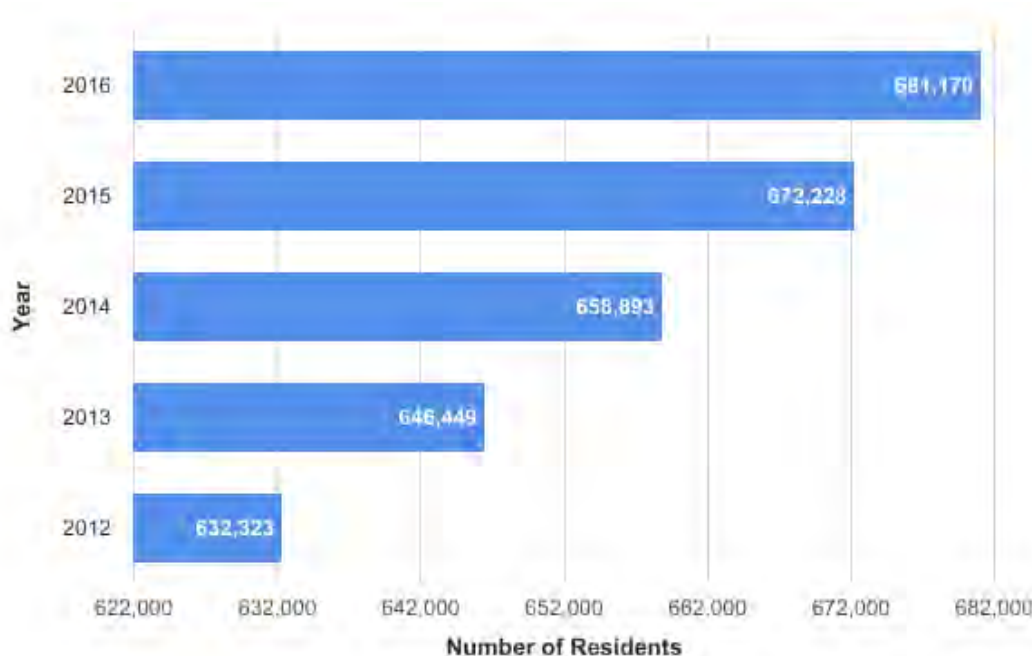
Income has grown considerably in the District in recent years. From the third quarter of 2011 to the third quarter of 2016, personal income grew approximately 25.80% in the District as compared to 20.90% nationally.

The distribution of income in the District differs from that of the nation as a whole, with larger portions of

District residents being in the higher and lower income brackets and a significantly smaller portion being within the middle income levels. Median household income data is not yet available for 2016; however, for 2015 the District's median household income of \$75,628 was 35.59% above the U.S. average. The Census Bureau estimates that 17.30% of the District's population was below the poverty line in 2015 as compared to 13.50% for all of the U.S.

**Chart T1 – Population Trends (2012 - 2016)**

**District of Columbia Population (As of July 1 of Each Year)  
Original Annual Estimates (Unadjusted)**



Source: U.S. Census Bureau

Employment Trends

Total wage and salary employment in the Washington metropolitan area increased to approximately 3,257,000 at the end of fiscal year 2016 from the revised 3,180,900 for fiscal year 2015, representing a 2.39% increase. These numbers exclude the self-employed, domestic workers, military and foreign government personnel, which represent a significant portion of the total workforce of the region. Some of the references to the 2015 employment numbers may differ from those presented in the fiscal year 2015 CAFR because of updates and revisions. **Table T2** presents 2016 labor market data for the District and the metropolitan region.

In September 2016, total wage and salary employment within the District reached 23.96% of the metropolitan

area's total wage and salary employment. The seasonally adjusted September 2016 unemployment rate in the District was 6.10%, compared to the September 2015 revised seasonally adjusted rate of 7.20%.

Total employment within the District increased to 780,400 as of September 2016 from the revised 766,600 as of September 2015. As the nation's capital, Washington, D.C. is the seat of the federal government and headquarters for most federal departments and agencies. The total September 2016 federal workforce in the Washington metropolitan area was 369,800; with approximately 201,800 federal employees located in Washington, D.C. and 168,000 additional federal employees who worked elsewhere in the Washington metropolitan area.

Minimum Wage Rate

Historically, District law has required that the minimum wage rate for District employees be at least \$1.00 per hour more than the Federal minimum wage. Beginning on July 24, 2009, the Federal minimum wage rate was increased to \$7.25 per hour and has not been revised since that time. Therefore, effective July 24, 2009, the District's minimum wage rate increased to \$8.25 per hour.

In December 2013, the Council approved a measure to raise the District's minimum wage limit to \$11.50 per hour over three years as follows: \$9.50 per hour, effective July 1, 2014; \$10.50 per hour, effective July 1, 2015; and \$11.50 per hour, effective July 1, 2016. In January 2014, the Mayor signed the associated bill into law. Consequently, beginning in July 2016, the District's minimum wage limit increased to \$11.50 per hour. In June 2016, D.C. Mayor Muriel Bowser

signed the Fair Shot Minimum Wage Amendment Act of 2016. This legislation will progressively increase the hourly minimum wage to \$15 for District workers by 2020.

Living Wage Rate

Pursuant to D.C. Law 16 -118, the Living Wage Act of 2006 became effective June 9, 2006. This Act provides that District of Columbia government contractors and recipients of government assistance (grants, loans, tax increment financing) in the amount of \$100,000 or more shall pay affiliated employees no less than the current living wage rate. Effective January 1, 2016, the District living wage rate is \$13.85 per hour. This rate increases annually in proportion to the annual average increase in the Consumer Price Index for all Urban Consumers in the Washington Metropolitan Statistical Area for the preceding 12 months.

**Table T2 - 2016 Labor Market Data for the District and Surrounding Metropolitan Area**

**Labor Market (000s): FY 2016**

| Item                             | District of Columbia |                             |                        | Metropolitan Area |                             |                        |
|----------------------------------|----------------------|-----------------------------|------------------------|-------------------|-----------------------------|------------------------|
|                                  | Level                | 1 yr.<br>change<br>(number) | 1 yr.<br>change<br>(%) | Level             | 1 yr.<br>change<br>(number) | 1 yr.<br>change<br>(%) |
| Employed residents               | 364.3                | 2.8                         | 0.8                    | 3,166.5           | 38.4                        | 1.2                    |
| Labor force                      | 389.7                | 1.9                         | 0.5                    | 3,293.4           | 24.3                        | 0.7                    |
| Total wage and salary employment | 780.4                | 13.8                        | 1.8                    | 3,257.0           | 76.1                        | 2.4                    |
| Federal government               | 201.8                | 3.7                         | 1.9                    | 369.8             | 4.9                         | 1.3                    |
| Local government                 | 40.5                 | 1.4                         | 3.6                    | 332.7             | 4.1                         | 1.2                    |
| Leisure & hospitality            | 75.6                 | 2.3                         | 3.1                    | 323.9             | 9.5                         | 3.0                    |
| Trade                            | 28.6                 | 1.1                         | 4.0                    | 348.0             | 8.0                         | 2.4                    |
| Education and health             | 129.1                | 1.1                         | 0.9                    | 428.1             | 14.1                        | 3.4                    |
| Prof., bus., and other services  | 236.4                | 3.8                         | 1.6                    | 948.1             | 29.0                        | 3.2                    |
| Other private                    | 68.4                 | 0.4                         | 0.6                    | 506.4             | 6.5                         | 1.3                    |
| Unemployed                       | 25.4                 | (0.9)                       | (3.5)                  | 126.9             | (14.1)                      | (10.0)                 |
| New Unemployment Claims          | 1.2                  | (0.1)                       | (9.6)                  | (a)               | (a)                         | (a)                    |

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

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

(a) Unemployment claims for metropolitan area not available

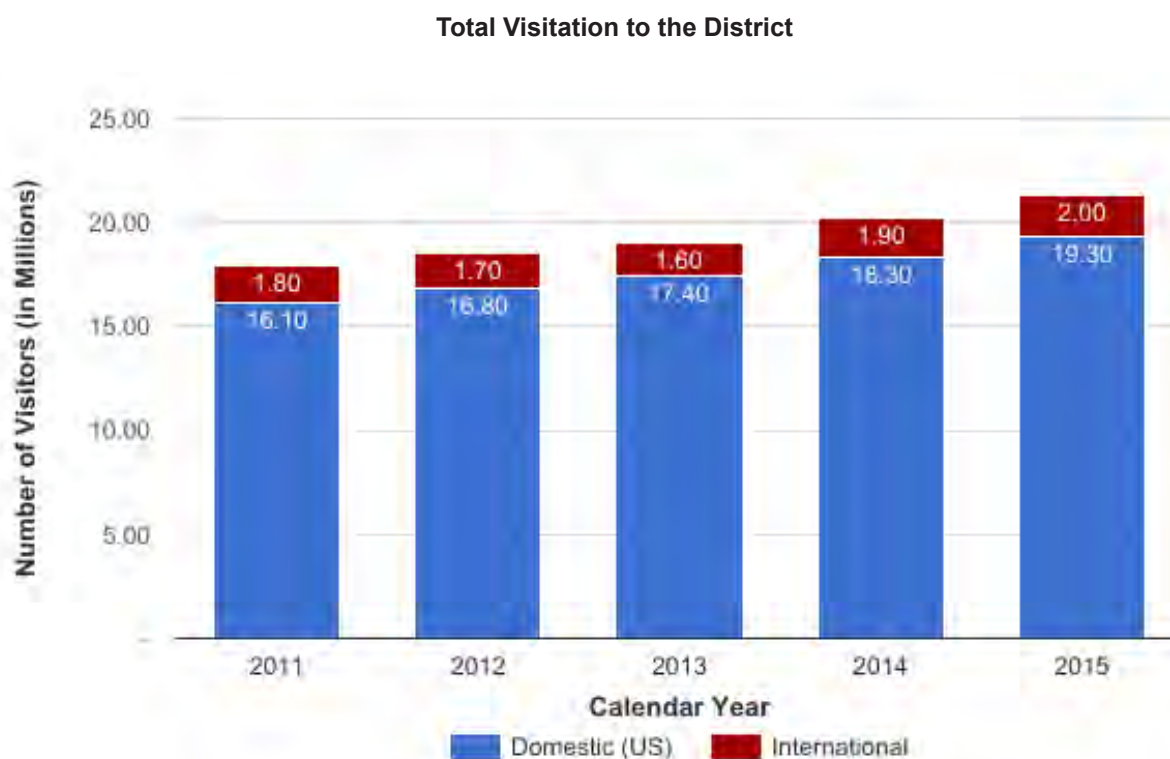
Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the District's more than 400 museums and other historical landmarks each year. Popular attractions include sites along the National Mall, numerous monuments to U.S. presidents, war memorials, and other museums. The presence of a large number of foreign embassies, recognized diplomatic missions, and other international organizations in the District helps to boost tourism. In calendar year 2015, approximately 19.3 million domestic visitors and 2 million international visitors traveled to the District. During calendar year 2015, the District was the eighth most visited destination in the U.S. for international travelers. **Chart T2** presents the trends in tourism for calendar years 2011 through 2015. Tourism data for

calendar year 2016 is not yet available.

Visitor spending, which totaled approximately \$7.10 billion in 2015, generated additional business activity in related industries (e.g., hotel, restaurant, and retail) and continues to help sustain the local and regional economies. The distribution of visitor spending in 2015 (by category) was as follows: \$2.41 billion for Lodging; \$2.04 billion for Food and Beverage; \$1.17 billion for Entertainment; \$877 million for Shopping/Retail; and \$599 million for Transportation. Total visitor spending increased by \$283 million, or 4.15%, over the prior year. Hotel occupancy was approximately 81.60% as of September 30, 2016. Travel and tourism supported 74,445 jobs in the District, generating approximately \$3.90 billion in wages.

Chart T2 – Trends in District Tourism (2011 – 2015)



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

#### Construction – Commercial Real Estate

Construction of commercial real estate surged during calendar year 2016. As of September 30, 2016, commercial space under construction in the District totaled 5.87 million square feet as compared to 3.24 million square feet at the end of September 2015. Over the one-year period between 2015 and 2016, occupied commercial office space decreased from 82.45 million square feet to 78.19 million square feet and the vacancy rate (including sublet) within the District increased from 11.40% at the end of 2015 to 12.70% at the end of 2016.

#### Construction – Housing Units

For the 12-month period ended September 30, 2016, 5,129 housing unit building permits were issued. This represents a 24.16% increase over the prior 12-month period. **Table T3** presents the number of apartment units located in the District in 2012 through 2016.

In calendar year 2016, there were 177,505 apartment units in the District, of which 170,172, or 95.87%, were occupied. In September 2016, 11,963 apartment units were under construction.

Table T3 – District Apartment Units (2012 - 2016)

|                | 2012    | 2013    | 2014    | 2015    | 2016    |
|----------------|---------|---------|---------|---------|---------|
| Inventory      | 162,891 | 166,686 | 171,429 | 174,578 | 177,505 |
| Occupied Units | 156,321 | 158,522 | 162,975 | 167,590 | 170,172 |

Source: CoStar - Prior Years' data have been revised to include units in private buildings with 5 or more units

## THE DISTRICT'S BOND RATINGS

Rating agencies assess the credit quality of municipal issuers and assign credit ratings to issuers based on the outcome of their assessments. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. Attaining an acceptable credit rating is important to an issuer because it allows the issuer to more easily access the market and reduce borrowing cost.

The three primary agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. **Table T4** presents the District's ratings for the past five years for its General Obligation Bonds and Income Tax Secured Revenue Bonds. The District's ratings for its bonds have remained high over the last several years.

## LONG-TERM FINANCIAL PLANNING

As a result of improved financial management practices over the years, the District has been able to develop and operate within more disciplined budgets and address issues faced during the most challenging economic times. Accordingly, District officials have developed and implemented a plan for maintaining a strong, stable financial environment, which includes: developing a five-year operating financial plan and a six-year capital improvements plan; monitoring and analyzing the District's quarterly revenue estimates and making spending adjustments throughout the year, as necessary; identifying sound measures to enhance revenue streams; and developing and implementing plans to minimize costs without sacrificing essential programs or services.

**Table T4 – Bond Rating History (Last Five Fiscal Years)**

|                                  | General Obligation Bonds         |      |      |      |       |
|----------------------------------|----------------------------------|------|------|------|-------|
|                                  | 2012                             | 2013 | 2014 | 2015 | 2016  |
| Fitch Ratings                    | AA-                              | AA-  | AA   | AA   | AA*   |
| Moody's Investors Service        | Aa2                              | Aa2  | Aa2  | Aa1  | Aa1*  |
| Standard & Poor's Rating Service | A+                               | AA-  | AA   | AA   | AA    |
|                                  | Income Tax Secured Revenue Bonds |      |      |      |       |
|                                  | 2012                             | 2013 | 2014 | 2015 | 2016  |
| Fitch Ratings                    | AA+                              | AA+  | AA+  | AA+  | AA+*  |
| Moody's Investors Service        | Aa1                              | Aa1  | Aa1  | Aa1  | Aa1   |
| Standard & Poor's Rating Service | AAA                              | AAA  | AAA  | AAA  | AAA** |

\* High grade rating attributed to an obligor with a very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

\*\* Highest possible grade rating attributed to an obligor with an extremely strong capacity to meet its financial commitments.



## MAJOR INITIATIVES

Many initiatives and projects have been completed, are in progress, or have been planned which will help sustain the District's economy and produce strong financial results. Several of the District's major initiatives and projects are presented in **Tables T5** and **T6**.

**Table T5 – Projects Completed (by Economic Sector)**

| Project  | Location                         | Square Footage/Units | Estimated Value of the Project (in \$000s) | Delivery Date (Calendar Year Basis) |
|--|----------------------------------|----------------------|--|-------------------------------------|
| <b>Retail:</b>                                   |                                  |                      |  |                                     |
| The Shops at Dakota Crossing (Phase II - Lowe's) | 2425 Market Street, N.E.         | 130,000              | \$20,000                                   | 4th Qtr 2015                        |
| Capitol Gateway Marketplace                      | 58th & East Capitol Street, N.E. | 162,200              | \$100,000                                  | 3rd Qtr 2016                        |
| <b>Office:</b>                                   |                                  |                      |  |                                     |
| Department of the Interior (Phase VI)            | 1849 C Street, N.W.              | 221,357              | \$60,000                                   | 1st Qtr 2016                        |
| Republic Square (Phase II)                       | 660 North Capitol Street, N.W.   | 195,000              | \$65,000                                   | 1st Qtr 2016                        |
| 2001 M Street                                    | 2001 M Street, N.W.              | 285,000              | Not provided                               | 2nd Qtr 2016                        |
| 600 Massachusetts Avenue                         | 600 Massachusetts Avenue, N.W.   | 381,592              | \$206,000                                  | 3rd Qtr 2016                        |
| <b>Residential:</b>                              |                                  |                      |  |                                     |
| Hecht Warehouse District                         | 1401 New York Avenue, N.E.       | 330 units            | Not provided                               | 4th Qtr 2015                        |
| Eliot on 4th                                     | 1001 4th Street, S.W.            | 365 units            | \$100,000                                  | 3rd Qtr 2016                        |
| <b>Hospitality:</b>                              |                                  |                      |  |                                     |
| Hyatt Place DC Capitol / National Mall           | 400 E Street, S.W.               | 170,665              | \$65,000                                   | 4th Qtr 2015                        |
| Homewood Suites                                  | 50 M Street, S.E.                | 135,200              | \$60,000                                   | 3rd Qtr 2016                        |
| <b>Education and Medical:</b>                    |                                  |                      |  |                                     |
| Theodore Roosevelt High School                   | 4301 13th Street, N.W.           | 328,000              | \$113,000                                  | 4th Qtr 2015                        |
| New Sibley                                       | 5255 Loughboro Road, N.W.        | 470,000              | \$242,000                                  | 3rd Qtr 2016                        |
| New Residence Hall on Square 77                  | 2121 H Street, N.W.              | 330,000              | \$130,000                                  | 3rd Qtr 2016                        |
| Duke Ellington School of the Arts                | 3500 R Street, N.W.              | 258,072              | \$ 139,000                                 | 3rd Qtr 2016                        |
| AU East Campus                                   | 3501 Nebraska Avenue, N.W.       | 247,551              | \$ 115,000                                 | 3rd Qtr 2016                        |

Source: Washington, DC Development Report 2015/2016 Edition.

Table T6 – Projects Under Construction

| Project   | Location                                     | Square Footage/<br>Units | Estimated Value<br>(in \$000s) | Estimated Delivery Date<br>(Calendar Year Basis) |
|---|--|--------------------------|--------------------------------|--|
| <b>Retail:</b>  |  |                          |                                |  |
| Uline Arena   | 1140 3rd Street, N.E.                        | 72,975                   | \$125,000                      | 4th Qtr 2016                                     |
| The Wharf (Phase I)                                   | Southwest Waterfront                         | 190,000                  | \$806,000                      | 4th Qtr 2017                                     |
| Skyland Town Center (Phase I)                         | Alabama Avenue & Naylor Road, S.E.           | 220,000                  | \$150,000                      | 2018   |
| McMillan Sand Filtration Site                         | North Capitol Street & Michigan Avenue, N.W. | 80,000                   | \$720,000                      | 2018   |
| <b>Office:</b>  |  |                          |                                |  |
| Consumer Financial Protection Bureau HQ Modernization | 1700 G Street, N.W.                          | 503,000                  | \$139,000                      | 3rd Qtr 2017                                     |
| Center Building (DHS HQ)                              | St. Elizabeths West Campus                   | 284,000                  | \$155,000                      | 3rd Qtr 2017                                     |
| 99 M Street   | 1st Street & M Street, S.E.                  | 215,000                  | \$116,000                      | 3rd Qtr 2017                                     |
| The Wharf (Phase I)                                   | Southwest Waterfront                         | 230,000                  | \$806,000                      | 4th Qtr 2017                                     |
| Capitol Crossing (North Block)                        | I-395 at 3rd, E & Massachusetts Ave, N.W.    | 954,000                  | \$1,075,000                    | 2018   |
| <b>Residential:</b>                                   |  |                          |                                |  |
| Agora   | 800 New Jersey Avenue, S.E.                  | 336 units                | \$141,000                      | 4th Qtr 2016                                     |
| AVA NoMa  | 55 M Street, N.E.                            | 438 units                | \$145,000                      | 1st Qtr 2017                                     |
| 909 Half Street                                       | 20 K Street, S.E.                            | 383 units                | \$100,000                      | 1st Qtr 2017                                     |
| The Wharf (Phase I)                                   | Southwest Waterfront                         | 230,000                  | \$806,000                      | 4th Qtr 2017                                     |
| <b>Hospitality:</b>                                   |  |                          |                                |  |
| Trump International Hotel (The Old Post Office)       | 1100 Pennsylvania Avenue, N.W.               | 536,000                  | \$200,000                      | 4th Qtr 2016                                     |
| National Museum of African-American History & Culture | The National Mall                            | 322,600                  | \$309,000                      | 4th Qtr 2016                                     |
| The Line DC   | 1780 Columbia Road, N.W.                     | 176,671                  | \$100,000                      | 4th Qtr 2016                                     |
| F1st  | 1st & N Street, S.E.                         | 127,200                  | \$150,000                      | 1st Qtr 2017                                     |
| The Wharf (Phase I)                                   | Southwest Waterfront                         | 645,500                  | \$806,000                      | 4th Qtr 2017                                     |
| <b>Education and Medical:</b>                         |  |                          |                                |  |
| Marie Reed Elementary School                          | 2201 18th Street, N.W.                       | 140,000                  | \$31,000                       | 2017   |
| GWU HOVA Student Housing                              | 2601 Virginia Avenue, N.W.                   | 117,000                  | \$40,000                       | 2017   |
| McMillan Sand Filtration Site                         | North Capitol Street & Michigan Avenue, N.W. | 1,000,000                | \$720,000                      | 2018   |

Source: Washington, D.C. Development Report 2015/2016 Edition.

## Office, Sports, and Hospitality Projects:

### • Capitol Crossing

Capitol Crossing, one of the District's largest private development projects, is a \$1.3 billion project featuring a 2.2 million square-foot complex of five mixed-use buildings. The project will create three new city blocks by transforming seven acres of land above I-395 into a platform that will bridge the East End of downtown with Capitol Hill.

The Capitol Crossing project will be comprised of 1.9 million square feet of office space, 63,000 square feet of retail space, 150 residential units and a new Jewish Historical Society Synagogue. The project is expected to generate about \$40 million in property tax revenue every year, once it is completed. In addition, some of the project's anticipated benefits include the creation of: 4,000 construction jobs, 8,000 permanent jobs, and \$120 million in payments to the District for the air rights. Phase I of the project, the first building, is

expected to be completed in 2018.

### • The Wharf – Washington, D.C. Waterfront

The Wharf is one of the region's largest redevelopment opportunities which will transform the underutilized Southwest Waterfront into an urban destination centrally located on the Potomac River, along the historic Washington Channel, a short distance from the National Mall, the White House, the Capitol and Smithsonian Museums.

The estimated \$2 billion world-class, mixed-use project is comprised of 24 acres of land and more than 50 acres of water. When complete, the 3.2 million square-foot site will feature a unique blend of restaurants, shops, condominiums, hotels, high-quality entertainment venues, marinas, a waterfront park, and an expanded riverfront promenade with public access to the water. The waterfront area will be bike and pedestrian-friendly and is expected to become a commercial anchor for the community and those who visit the nation's capital's monuments and museums.

Phase I is expected to cost about \$806 million and projected to open in 2017. Phase I will consist of a building area of more than 1.9 million square feet, and includes: 872 residential units; 190,000 square feet of retail; 230,000 square feet of office space; 683 hotel rooms; 140,000 square feet of cultural and entertainment space; and 1,475 underground parking spaces.

- **D.C. United Soccer Stadium**

In April 2016, an infrastructure groundbreaking, which consisted of a ceremonial demolition of part of the stadium site at 2nd and S Streets, marked the first tangible stage of preparation for the building of D.C. United's new stadium in Buzzard Point. The world-class stadium for Major League Soccer's D.C. United is to be located in the Buzzard Point area of Southwest D.C., adjacent to the Fort McNair Army base, bounded by Half Street and Second Street, S.W.

The \$300 million state-of-the-art facility is a public-private partnership that will help revitalize a neighborhood on the banks of the Anacostia River, create nearly 900 job opportunities for District residents, and strengthen a commitment to community and fan engagement. The District has agreed to spend up to \$150 million to acquire the stadium footprint and to prepare the land for development, while D.C. United will finance vertical construction of the stadium. The 20,000-seat facility is scheduled for completion in 2018.

- **Midtown Center**

In May 2016, Carr Properties broke ground on a \$650 million mixed-use development that is being built on the site of the Washington Post's former headquarters at 15th and L streets, N.W. The Midtown Center development project, which will consist of two linked 14-story towers featuring 862,000 square feet of office, retail and parking spaces, will serve as the new headquarters of government-sponsored enterprise, Fannie Mae, when complete.

In addition to the 752,000 square feet of premier office space that Fannie Mae will call home, the property will feature 50,000 square feet of destination-oriented retail consisting of a 15,000-square-foot retail plaza between the two structures and a 10,000-square-foot retail alley. The property will also offer three levels of below-grade parking and a 1,300-square-foot bike room to accommodate visitor arrivals. Construction is underway and substantial completion of Phase 1 is scheduled for the fourth quarter of 2017, followed by Phase 2 in the second quarter of 2018.

- **Conrad Washington, D.C. Luxury Hotel at CityCenterDC**

In June 2016, D.C. Mayor Muriel Bowser joined Developers to confirm the start of construction of the Conrad Washington, D.C., a 360-room luxury

hotel with 30,000 square feet of ground-floor retail space at CityCenterDC, a 10-acre landmark, mixed-use development located on the site of the former Washington Convention Center. The Conrad Washington, D.C. marks the seventh building developed by Hines and Qatari Diar at CityCenterDC. With exceptional hotel rooms and exclusive retail elements, this new venture, which represents Hilton Worldwide Holdings Inc.'s first Conrad Hotel in the District, will further enhance the architectural excellence at CityCenterDC. The Conrad Washington, D.C. is expected to open in early 2019.

## Transportation Projects:

- **D.C. Streetcar**

Launched in February 2016, over 50 years since the District's first streetcars, the H Street/Benning Road (H/Benning) line is a 2.4-mile DC Streetcar line which services eight stops from Union Station to Oklahoma Avenue at RFK Stadium's parking lot. In September 2016, service increased from six to seven days a week, with shorter wait times. DC Streetcar is intended to facilitate travel for District residents, workers and visitors by complementing existing transit options and by creating neighborhood connections where they currently do not exist.

The District currently owns six streetcars that will ultimately serve the system. They are approximately eight feet wide and 66 feet long, about 10 inches narrower than, and one-third the length of, a light rail double car train. The modern streetcars are able to operate in mixed traffic and can easily accommodate existing curbside parking and loading.

The existing H/Benning Line is just the first segment of an extended east-west line that will traverse the city from beyond the Anacostia at Benning Metro to the Georgetown waterfront. Additional information on this line and other planned streetcar lines within the District may be obtained from the District Department of Transportation, 55 M Street, S.E., Suite 400, Washington, D.C. 20003 or by visiting the following website:

<http://www.dcstreetcar.com>

- **South Capitol Street Corridor Project**

The South Capitol Street Corridor Project involves replacing the Frederick Douglass Memorial Bridge and transforming related sections of urban freeway into a beautiful scenic boulevard that increases pedestrian and vehicular safety, and community accessibility, while improving multi-modal transportation options and supporting economic development on both sides of the Anacostia River. Key project elements include:

- Building a new six-lane Frederick Douglass Memorial Bridge

- Creating a new traffic oval west of the river that connects South Capitol Street, Potomac Avenue and Q Street S.W.
- Reconstructing South Capitol Street as a six-lane boulevard with an improved streetscape from the traffic oval to D Street S.E./S.W. and an at-grade intersection at M Street S.E.
- Creating a new at-grade traffic oval east of the river that connects South Capitol Street, Suitland Parkway and Howard Road S.E.
- Reconstructing the Suitland Parkway/ Interstate 295 interchange
- Constructing a new diamond interchange on Suitland Parkway at Martin Luther King, Jr. Avenue
- Improving related portions of New Jersey Avenue, Howard Road, Firth Sterling Avenue, and Sheridan Road S.E.
- Increasing bicycle and pedestrian facilities
- Improving drainage and storm water management throughout the corridor

Preliminary engineering and Right-of-Way land acquisition for the project have been underway since January 2012. Construction is scheduled to begin in 2017 and completion of this project is projected for the end of 2020.

- **Anacostia River Clean Up and Protection Fund/ Carryout Bag Fees**

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

In January 2010, to help fund such efforts, the District began levying a five-cent “bag tax” on District consumers. A consumer making a purchase from a retail establishment within the

District must pay, at the time of purchase, a fee of five cents for each disposable carryout bag he or she receives. During fiscal year 2016, the District collected approximately \$2.3 million in bag taxes. Since the inception of the tax in 2010, the District has collected approximately \$14 million in such taxes.

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

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

John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 317  
Washington, DC 20004  
Telephone: (202) 727-6365  
Website: <http://dmped.dc.gov>

- **District Department of Transportation**

55 M Street, S.E., Suite 400  
Washington, DC 20003  
Telephone: (202) 673-6813  
Website: <http://ddot.dc.gov>

- **Office of Planning**

1100 Fourth Street, S.W., Suite E650  
Washington, DC 20024  
Telephone: (202) 442-7600  
Website: <http://planning.dc.gov>

- **Department of Parks and Recreation**

1250 U Street, N.W.  
Washington, DC 20009  
Telephone: (202) 673-7647  
Website: <http://dpr.dc.gov>

- **Department of General Services**

2000 14th Street, N.W., 8th Floor  
Washington, DC 20009  
Telephone: (202) 727-2800  
Website: <http://dgs.dc.gov>



## AWARDS AND ACKNOWLEDGMENTS

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. The District has received this award for 32 of the last 34 years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2016 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2015, for the thirteenth consecutive year. The PAFR presents the District's financial results in a format and language that allows information to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the CAFR. It contains very few financial statements, less technical language, and more graphics and photographs.

Like the Certificate of Achievement, the Award for Popular Annual Financial Reporting is valid for one year only. The District expects that the fiscal year 2016 PAFR, which will be issued within 30 days after the CAFR is completed, will conform to the Award

for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another award.

### Acknowledgments

I would like to thank the District's accounting/finance staff who worked diligently to account for and report on the District's business activities and maintain the city's official "books" of accounting records. I greatly appreciate their efforts, which contributed significantly to the timely preparation of the CAFR. I want to thank my immediate staff, *Diji Omisore, Cassandra Alexander, Tong Yu, David Pivec, Wilma Matthias, Chris LaCour, Vanessa Jackson*, and their respective teams. I am grateful for their dedicated efforts. I would also like to thank the Office of the Inspector General, and the District's independent public accountants, SB & Company, LLC, assisted by Regis & Associates and GKA, for their efforts throughout the audit engagement.

Respectfully submitted,

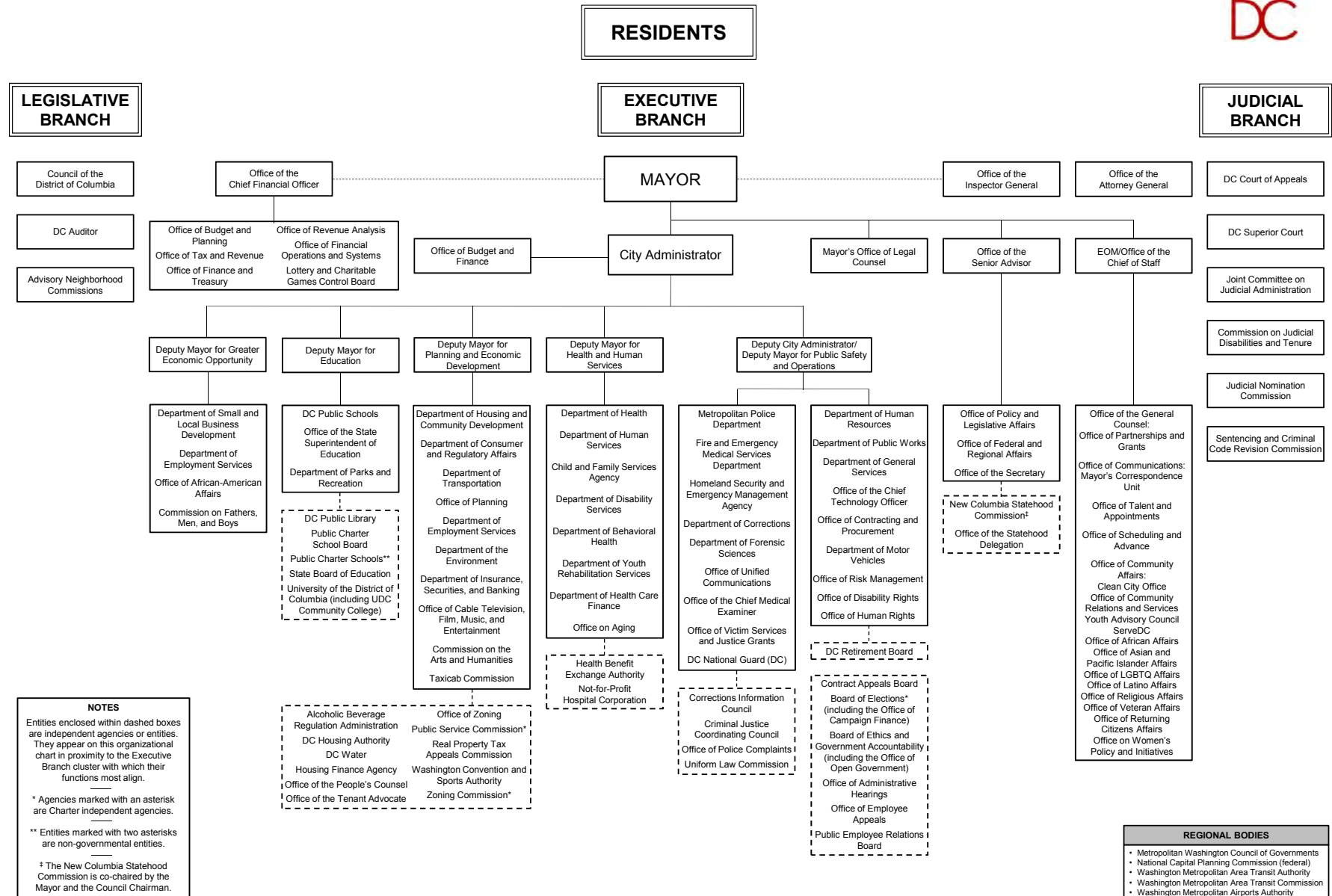


Bill Slack  
Deputy Chief Financial Officer  
Financial Operations and Systems

As of May 6, 2016



# GOVERNMENT OF THE DISTRICT OF COLUMBIA



## DISTRICT OF COLUMBIA PRINCIPAL OFFICIALS

September 30, 2016

| ELECTED OFFICIALS               |          |                   |              |
|---------------------------------|----------|-------------------|--------------|
| Name                            | Position | First Took Office | Term Expires |
| <b>Chief Executive Officer</b>  |          |                   |              |
| Muriel Bowser                   | Mayor    | 2015              | 2019         |
| <b>Council</b>                  |          |                   |              |
| Phil Mendelson                  | Chairman | 1999              | 2019         |
| Anita Bonds                     | At Large | 2012              | 2019         |
| David Grosso                    | At Large | 2013              | 2017         |
| Robert C. White, Jr.            | At Large | 2016              | 2017         |
| Elissa Silverman                | At Large | 2015              | 2019         |
| Brianne Nadeau                  | Ward 1   | 2015              | 2019         |
| Jack Evans                      | Ward 2   | 1991              | 2017         |
| Mary M. Cheh                    | Ward 3   | 2007              | 2019         |
| Brandon T. Todd                 | Ward 4   | 2015              | 2017         |
| Kenyan McDuffie                 | Ward 5   | 2012              | 2019         |
| Charles Allen                   | Ward 6   | 2015              | 2019         |
| Yvette M. Alexander             | Ward 7   | 2007              | 2017         |
| LaRuby May                      | Ward 8   | 2015              | 2017         |
| <b>House of Representatives</b> |          |                   |              |
| Eleanor Holmes Norton           | Delegate | 1991              | 2017         |

| EXECUTIVE OFFICERS   |  |
|----------------------|--|
| Name                 | Position   |
| Karl A. Racine       | Attorney General   |
| Daniel W. Lucas      | Inspector General  |
| Rashad M. Young      | City Administrator   |
| Kaya Henderson       | Chancellor for DC Public Schools                                     |
| Lauren C. Vaughan    | Secretary of the District of Columbia                                |
| Jennifer C. Niles    | Deputy Mayor for Education   |
| Brian T. Kenner      | Deputy Mayor for Planning and Economic Development                   |
| Courtney R. Snowden  | Deputy Mayor for Greater Economic Opportunity                        |
| Kevin Donahue        | Deputy City Administrator/Deputy Mayor for Public Safety and Justice |
| Brenda Donald        | Deputy Mayor for Health and Human Services                           |
| Jeffrey S. DeWitt    | Chief Financial Officer  |
| Angell Jacobs        | Deputy CFO/Chief of Staff  |
| Gordon McDonald      | Deputy CFO, Budget and Planning                                      |
| Bill Slack           | Deputy CFO, Financial Operations and Systems                         |
| Jeffrey Barnette     | Deputy CFO, Finance and Treasury                                     |
| Fitzroy Lee          | Deputy CFO, Revenue Analysis   |
| Stephen Cordi        | Deputy CFO, Tax and Revenue  |
| Cyril Byron, Jr.     | Associate CFO, Economic Development and Regulation                   |
| Mohamed Mohamed      | Associate CFO, Governmental Operations                               |
| George Dines         | Associate CFO, Government Services                                   |
| Delicia Moore        | Associate CFO, Human Support Services                                |
| Angelique Hayes Rice | Associate CFO, Public Safety and Justice                             |
| Deloras A. Shepherd  | Associate CFO, Education   |
| Tracey Cohen         | Interim Executive Director, Lottery and Charitable Games             |

## DISTRICT OF COLUMBIA PRINCIPAL OFFICIALS

January 2, 2017

| ELECTED OFFICIALS               |          |                   |              |
|---------------------------------|----------|-------------------|--------------|
| Name                            | Position | First Took Office | Term Expires |
| <b>Chief Executive Officer</b>  |          |                   |              |
| Muriel Bowser                   | Mayor    | 2015              | 2019         |
| <b>Council</b>                  |          |                   |              |
| Phil Mendelson                  | Chairman | 1999              | 2019         |
| Anita Bonds                     | At Large | 2012              | 2019         |
| David Grosso                    | At Large | 2013              | 2021         |
| Robert C. White, Jr.            | At Large | 2016              | 2021         |
| Elissa Silverman                | At Large | 2015              | 2019         |
| Brianne Nadeau                  | Ward 1   | 2015              | 2019         |
| Jack Evans                      | Ward 2   | 1991              | 2021         |
| Mary M. Cheh                    | Ward 3   | 2007              | 2019         |
| Brandon T. Todd                 | Ward 4   | 2015              | 2021         |
| Kenyan McDuffie                 | Ward 5   | 2012              | 2019         |
| Charles Allen                   | Ward 6   | 2015              | 2019         |
| Vincent C. Gray                 | Ward 7   | 2017              | 2021         |
| Trayon White, Sr.               | Ward 8   | 2017              | 2021         |
| <b>House of Representatives</b> |          |                   |              |
| Eleanor Holmes Norton           | Delegate | 1991              | 2019         |

| EXECUTIVE OFFICERS   |  |
|----------------------|--|
| Name                 | Position   |
| Karl A. Racine       | Attorney General   |
| Daniel W. Lucas      | Inspector General  |
| Rashad M. Young      | City Administrator   |
| Antwan Wilson        | Chancellor for DC Public Schools (Beginning February 1, 2017)        |
| Lauren C. Vaughan    | Secretary of the District of Columbia                                |
| Jennifer C. Niles    | Deputy Mayor for Education   |
| Brian T. Kenner      | Deputy Mayor for Planning and Economic Development                   |
| Courtney R. Snowden  | Deputy Mayor for Greater Economic Opportunity                        |
| Kevin Donahue        | Deputy City Administrator/Deputy Mayor for Public Safety and Justice |
| HyeSook Chung        | Deputy Mayor for Health and Human Services                           |
| Jeffrey S. DeWitt    | Chief Financial Officer  |
| Angell Jacobs        | Deputy CFO/Chief of Staff  |
| Gordon McDonald      | Deputy CFO, Budget and Planning                                      |
| Bill Slack           | Deputy CFO, Financial Operations and Systems                         |
| Jeffrey Barnette     | Deputy CFO, Finance and Treasury                                     |
| Fitzroy Lee          | Deputy CFO, Revenue Analysis   |
| Keith Richardson     | Deputy CFO, Tax and Revenue  |
| Cyril Byron, Jr.     | Associate CFO, Economic Development and Regulation                   |
| Mohamed Mohamed      | Associate CFO, Governmental Operations                               |
| George Dines         | Associate CFO, Government Services                                   |
| Delicia Moore        | Associate CFO, Human Support Services                                |
| Angelique Hayes Rice | Associate CFO, Public Safety and Justice                             |
| Deloras A. Shepherd  | Associate CFO, Education   |
| Tracey Cohen         | Interim Executive Director, Lottery and Charitable Games             |





Government Finance Officers Association


**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Government of the District  
of Columbia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**



Executive Director/CEO



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# CAFR 2016

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



FINANCIAL SECTION



**MURIEL BOWSER**  
MAYOR

**JEFFREY S. DEWITT**  
CHIEF FINANCIAL OFFICER

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

**YEAR ENDED SEPTEMBER 30, 2016**



## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Mayor and the Council of the Government of the District of Columbia,  
Inspector General of the Government of the District of Columbia:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

1299 Pennsylvania Avenue NW • Suite 1120 • Washington • District of Columbia 20004 • P 202.803.2335 • F 202.756.1301



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison statement for the general and Federal and private resources funds for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedules of employer contributions and schedules of changes in net pension liability and related ratios for the Teachers' Retirement Fund, and the Police Officers' and Firefighters' Retirement Fund, and the actuarial analyses schedule of funding progress, and schedule of employer contributions for the Other Post-Employment Benefits Program, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information presented in the financial section and introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in the financial section (Exhibits A-1 through A-6, B-1 and B-2, C-1 through C-3, and D-1 through D-3) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.





**SB & COMPANY, LLC**  
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Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information in the financial section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### *Prior-Year Comparative Information*

We have previously audited the District's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information in our report dated January 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Washington, DC  
January 25, 2017

*SB & Company, LLC*



# MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

(Dollar amounts expressed in thousands)

The following is a discussion and analysis of the District of Columbia's (the District's) financial performance for the fiscal year ended September 30, 2016, which includes a narrative overview and analysis of the District's financial activities. This information should be read in conjunction with the transmittal letter, located in the Introductory Section of this report, and the District's basic financial statements and note disclosures, which follow this discussion and analysis.

## FINANCIAL HIGHLIGHTS

- As of September 30, 2016, the District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$4,815,418. The District has a positive unrestricted net position in fiscal year 2016 of \$174,499, an improvement of \$304,658 over the previous year. This improvement in unrestricted net position resulted primarily from significant increases in revenues over expenses. (See **Table MDA-1**)
- As a result of continued economic recovery and growth in the District, total District revenues increased by \$523,995, primarily those generated through property taxes, income and franchise taxes, and operating grants and contributions, which increased by \$188,924, \$100,479, and \$109,812, respectively. This significant increase in total revenues in fiscal year 2016 was directly attributable to certain economic factors such as: higher assessed values of commercial properties; a rise in residential home prices and sales; a decline in unemployment; an increase in population; and higher corporate profits. In spite of these significant increases in revenues, capital grants and contributions (received to fund infrastructure improvements/public works) and other taxes decreased over the one-year period. (See **Table MDA-2**)
- District expenses increased by \$230,463 during fiscal year 2016 due mainly to increased spending for Governmental Direction and Support, Economic Development and Regulation, Public Safety and Justice and Human Support Services, while Public Education expenses declined. (See **Table MDA-2**)
- The District's total net position (revenues over expenses) increased by \$399,047 (3.30% above expenses) indicating that revenues and expenses were, for the most part, positively balanced for the year. (See **Table MDA-2**)
- The District's total long-term liabilities increased slightly by \$11,452, or 0.10%, during fiscal year 2016. This increase, which is relatively small when compared to prior years, is also due to the timing of bond issuances, with a smaller amount of bonds having been issued in fiscal year 2016. (See **Table MDA-1**)
- As of September 30, 2016, the District reported an increase in fund balance in its General Fund of \$222,027 to \$2,389,089. Total governmental funds reported combined ending fund balances of \$2,914,250, a decrease of \$78,436 in comparison with the prior year. The decrease in fund balance within the governmental funds resulted from a decrease in the Capital Improvements Fund. During fiscal year 2016, capital projects were financed internally through the use of the capital fund balance and short-term advances from the General Fund. This financing strategy allowed the District to optimize the timing of the issuance of new debt to finance capital projects and reimburse internal financing resources. (See **Table MDA-3**)

## OVERVIEW OF THE FINANCIAL STATEMENTS

### Basic Financial Statements

In general, the purpose of financial reporting is to provide users of financial statements with information that will help them make decisions or reach conclusions about a reporting entity. Many parties use the District's financial statements; however, they do not always use them for the same purpose. In order to address the needs of as many financial statement users as possible, the District, in accordance with

generally accepted accounting principles (GAAP) presents: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

### Government – Wide Financial Statements

The government-wide financial statements focus on the District's overall financial position and activities, and include a *statement of net position* and a *statement of activities*. These financial statements report on the

primary government and its component units, which are aggregated into a separate column. The primary government is further divided into governmental activities and business-type activities.

The purpose of the *statement of net position* is to report all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the fiscal year. The difference between the District's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is classified as net position. Total net position is comprised of three components: (1) *net investment in capital assets*; (2) *restricted*; and (3) *unrestricted*. In general, gauging increases or decreases in net position is one way to assess the District's financial position over time. Other factors, such as changes in population, the property tax base, infrastructure conditions, and other non-financial matters, should also be considered when assessing the District's overall financial health.

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

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

The District's government-wide financial statements are presented on pages 44 and 45 of this report.

### Fund Financial Statements

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

**Financial statements of the governmental funds** consist of a balance sheet and a statement of revenues, expenditures, and changes in fund

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

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

The balance sheet of the governmental funds presents the District's nonspendable fund balance and further classifies spendable fund balance as restricted, committed, assigned, or unassigned based on the relative strength of the constraints controlling how specific amounts may be used.

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

The financial statements of the District's governmental funds are presented on pages 46 through 49 of this report.

**Financial statements of the proprietary funds** consist of a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements.

The District's proprietary funds are used to account for the activities of District entities that charge customers fees for the services provided. The financial statements of the District's proprietary funds present

the changes in financial position and condition of the District's two major proprietary funds, the District of Columbia Lottery and Charitable Games Control Board and the Unemployment Compensation Fund.

The Unemployment Compensation Fund is reported as a proprietary fund similar to a public entity risk pool because the District is required by law to recover its costs.

The financial statements of the District's proprietary funds are presented on pages 50 through 52 of this report.

**Financial statements of the fiduciary funds** are comprised of the Pension and OPEB Trust Funds, Private Purpose Trust Fund, and an Agency Fund. All of the fiduciary funds, except the agency fund, consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. The agency fund reports only assets and liabilities and does not report net position, since it accounts for funds held by the government in a purely custodial capacity.

The fiduciary fund statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. Assets held by the District (either as a trustee or as an agent) for other parties, that cannot be used to finance the District's operating programs, are reported in the fiduciary funds. The District is responsible for ensuring that the activities reported in the fiduciary funds are consistent with each fund's intended purpose.

The financial statements of the District's fiduciary

funds are presented on pages 53 and 54 of this report.

### **Component Units**

Combining financial statements, presented on pages 55 and 56 report the financial data for the District's discretely presented component units.

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

The Notes to the Basic Financial Statements, which begin on page 57, present additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress toward funding its obligation to provide pension and other postemployment benefits to District employees. Required supplementary information can be found on pages 139 through 144 of this report.

Financial statements of individual funds, combining statements (in connection with nonmajor governmental funds), and supporting schedules are presented immediately following the required supplementary information. Financial statements of individual funds and combining statements and schedules can be found in the other supplementary information section presented on pages 145 through 171 of this report.

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

The District's overall financial position improved as a result of the year's activities. The District's financial position and operations for the past two fiscal years are summarized in **Tables MDA-1** and **MDA-2**. The

information for fiscal years 2015 and 2016 is based on the government-wide financial statements presented on pages 44 and 45 of this report.

**Table MDA - 1 – Net Position as of September 30, 2016**

|                                  | Governmental activities |                     | Business-type activities |                   | Totals              |                     |
|----------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
|                                  | 2016                    | 2015                | 2016                     | 2015              | 2016                | 2015                |
| Current and other assets         | \$ 4,891,340            | \$ 5,007,806        | \$ 414,112               | \$ 363,154        | \$ 5,305,452        | \$ 5,370,960        |
| Capital assets                   | 12,431,889              | 11,917,024          | 330                      | 169               | 12,432,219          | 11,917,193          |
| Total assets                     | 17,323,229              | 16,924,830          | 414,442                  | 363,323           | 17,737,671          | 17,288,153          |
| Deferred outflows of resources   | 459,144                 | 593,369             | -                        | -                 | 459,144             | 593,369             |
| Long-term liabilities            | 11,143,435              | 11,130,901          | 2,779                    | 3,861             | 11,146,214          | 11,134,762          |
| Other liabilities                | 1,931,955               | 2,244,928           | 42,912                   | 42,539            | 1,974,867           | 2,287,467           |
| Total liabilities                | 13,075,390              | 13,375,829          | 45,691                   | 46,400            | 13,121,081          | 13,422,229          |
| Deferred inflows of resources    | 260,316                 | 42,922              | -                        | -                 | 260,316             | 42,922              |
| Net position:                    |                         |                     |                          |                   |                     |                     |
| Net investment in capital assets | 2,835,463               | 2,639,069           | 330                      | 169               | 2,835,793           | 2,639,238           |
| Restricted                       | 1,440,889               | 1,594,809           | 364,237                  | 312,483           | 1,805,126           | 1,907,292           |
| Unrestricted                     | 170,315                 | (134,430)           | 4,184                    | 4,271             | 174,499             | (130,159)           |
| <b>Total net position</b>        | <b>\$ 4,446,667</b>     | <b>\$ 4,099,448</b> | <b>\$ 368,751</b>        | <b>\$ 316,923</b> | <b>\$ 4,815,418</b> | <b>\$ 4,416,371</b> |

**Table MDA - 2 – Change in Net Position for the Year Ended September 30, 2016**

|   | Governmental activities |                     | Business-type activities |                   | Totals              |                     | Variance          |
|---|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|-------------------|
|   | 2016                    | 2015                | 2016                     | 2015              | 2016                | 2015                |                   |
| Revenues:   |                         |                     |                          |                   |                     |                     |                   |
| Program revenues:   |                         |                     |                          |                   |                     |                     |                   |
| Charges for services  | \$ 598,747              | \$ 538,961          | \$ 228,183               | \$ 212,495        | \$ 826,930          | \$ 751,456          | \$ 75,474         |
| Operating grants and contributions                          | 3,577,091               | 3,464,746           | 12,028                   | 14,561            | 3,589,119           | 3,479,307           | 109,812           |
| Capital grants and contributions                            | 167,948                 | 224,891             | -                        | -                 | 167,948             | 224,891             | (56,943)          |
| General revenues:   |                         |                     |                          |                   |                     |                     |                   |
| Property taxes  | 2,504,617               | 2,315,693           | -                        | -                 | 2,504,617           | 2,315,693           | 188,924           |
| Sales and use taxes   | 1,451,441               | 1,425,525           | -                        | -                 | 1,451,441           | 1,425,525           | 25,916            |
| Income and franchise taxes                                  | 2,417,206               | 2,316,727           | -                        | -                 | 2,417,206           | 2,316,727           | 100,479           |
| Other taxes   | 863,466                 | 890,159             | 145,887                  | 148,889           | 1,009,353           | 1,039,048           | (29,695)          |
| Non-tax revenues  | 521,931                 | 412,769             | 8,532                    | 7,666             | 530,463             | 420,435             | 110,028           |
| <b>Total revenues</b>                                       | <b>12,102,447</b>       | <b>11,589,471</b>   | <b>394,630</b>           | <b>383,611</b>    | <b>12,497,077</b>   | <b>11,973,082</b>   | <b>523,995</b>    |
| Expenses:   |                         |                     |                          |                   |                     |                     |                   |
| Governmental direction and support*                         | 1,228,553               | 1,144,379           | -                        | -                 | 1,228,553           | 1,144,379           | 84,174            |
| Economic development and regulation                         | 548,314                 | 474,493             | -                        | -                 | 548,314             | 474,493             | 73,821            |
| Public safety and justice                                   | 1,799,670               | 1,715,161           | -                        | -                 | 1,799,670           | 1,715,161           | 84,509            |
| Public education system*                                    | 2,271,561               | 2,326,963           | -                        | -                 | 2,271,561           | 2,326,963           | (55,402)          |
| Human support services                                      | 4,507,123               | 4,484,943           | -                        | -                 | 4,507,123           | 4,484,943           | 22,180            |
| Public works  | 701,559                 | 705,766             | -                        | -                 | 701,559             | 705,766             | (4,207)           |
| Public transportation                                       | 359,097                 | 335,703             | -                        | -                 | 359,097             | 335,703             | 23,394            |
| Interest on long-term debt                                  | 392,638                 | 404,130             | -                        | -                 | 392,638             | 404,130             | (11,492)          |
| Lottery and games   | -                       | -                   | 174,882                  | 156,762           | 174,882             | 156,762             | 18,120            |
| Unemployment compensation                                   | -                       | -                   | 114,633                  | 119,267           | 114,633             | 119,267             | (4,634)           |
| <b>Total expenses</b>                                       | <b>11,808,515</b>       | <b>11,591,538</b>   | <b>289,515</b>           | <b>276,029</b>    | <b>12,098,030</b>   | <b>11,867,567</b>   | <b>230,463</b>    |
| <b>Increase (decrease) in net position before transfers</b> | <b>293,932</b>          | <b>(2,067)</b>      | <b>105,115</b>           | <b>107,582</b>    | <b>399,047</b>      | <b>105,515</b>      | <b>293,532</b>    |
| Transfers in (out)  | 53,287                  | 55,586              | (53,287)                 | (55,586)          | -                   | -                   | -                 |
| Change in net position                                      | 347,219                 | 53,519              | 51,828                   | 51,996            | 399,047             | 105,515             | 293,532           |
| Net position - Oct 1  | 4,099,448               | 4,045,929           | 316,923                  | 264,927           | 4,416,371           | 4,310,856           | 105,515           |
| <b>Net position - Sept 30</b>                               | <b>\$ 4,446,667</b>     | <b>\$ 4,099,448</b> | <b>\$ 368,751</b>        | <b>\$ 316,923</b> | <b>\$ 4,815,418</b> | <b>\$ 4,416,371</b> | <b>\$ 399,047</b> |

Please refer to Note 1W - Reconciliation of Government-Wide and Fund Financial Statements, on page 76 for additional information on the differences between the two bases of accounting that the District used in this report.

\* FY 2015 governmental activities expenses revised to reflect reclassification.



## Financial Analysis of the Government as a Whole

The District's combined net position (governmental and business-type activities) increased by \$399,047 or 9.04% from \$4,416,371 in fiscal year 2015 to \$4,815,418 in fiscal year 2016. Revenues increased by \$523,995 while expenses increased by \$230,463. Program revenues, which were approximately 36.68% of the District's total revenues in fiscal year 2016, increased by \$128,343, or 2.88%. This increase was due primarily to increases in operating grants and contributions and charges for services. The grants comprising this increase were used primarily in support of programs and services in the area of Human Support.

Increased Human Support Services grant revenues resulted from increased program enrollment by District residents and the federal government's matching of District expenditures for Medicaid-eligible healthcare services. The availability of Temporary Assistance for Needy Families (TANF) carryover funds also contributed to this increase.

General revenues, derived primarily from taxes, represented approximately 63.32% of the District's total revenues in fiscal year 2016. Such revenues increased by \$395,652, or 5.26%, due to higher assessed values of commercial properties, increased rate of collection of property taxes, and increases in non-tax revenues, compared to the prior year. Increases in income and franchises taxes in fiscal year 2016 resulted from improvement in business conditions and profitability within the District, which caused corporate income taxes to rise.

The most significant increases in expenses were in Governmental Direction and Support, and Public Safety and Justice, which grew by \$84,174, or 7.36% and \$84,509, or 4.93%, respectively. Governmental Direction and Support expenses increased due to rising costs associated with managing the maintenance of District properties, increases in fixed costs (including utilities, telecommunications, and other similar expenses) and the implementation of enhancements to improve overall District operations. Public Safety and Justice expenses increased as a result of the: acquisition of body worn cameras for the Metropolitan Police Department and other enhancements to third-party medical transport services at the Fire and Emergency Medical Services and crime scene sciences at the Department of Forensic Sciences. However, the decreases reflected in Public Education expenses resulted from the reporting of higher equipment disposition expenses in fiscal year 2015.

*Restricted net position* represents assets that are subject to use constraints imposed either: (a) externally by creditors (such as through debt covenants),

grantors, contributors, laws or regulations of other governments; or (b) by law, through constitutional provisions or enabling legislation. Restricted net position totaled \$1,805,126 in fiscal year 2016 and \$1,907,292 in fiscal year 2015, representing a decrease of \$102,166, or 5.36%. The most significant decreases in restricted net position related to pensions, purpose restrictions, and a settlement involving Fire and Emergency Medical Services (FEMS). The decrease in restricted net position related to pensions resulted from activity in deferred inflow and deferred outflow of resources. Between fiscal years 2015 and 2016, deferred outflow of resources related to pensions decreased by \$131,832 while deferred inflow of resources increased by \$219,371. The net effect of these balances contributed to the decrease in restricted net position. In addition, due to declines in grants which have limitations on the use of funding, net position associated with purpose restrictions also decreased in fiscal year 2016. The payment of a settlement in the amount of \$47 million related to overtime at FEMS also contributed to the decrease in restricted net position.

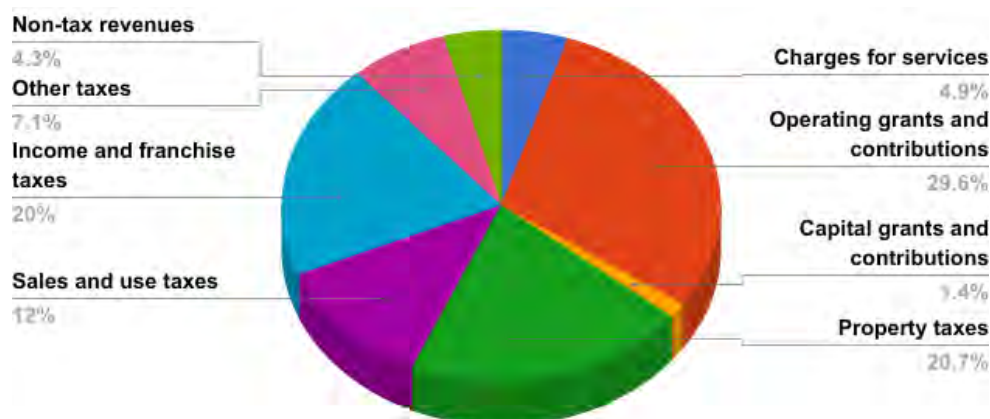
Total net position of governmental activities was \$4,446,667 in fiscal year 2016, which was \$347,219, or 8.47% higher than the amount in the prior year. This increase mainly resulted from increases in revenues from property taxes, income and franchise taxes, and certain non-tax revenues combined with effective management of expenses.

*Unrestricted net position* improved significantly in fiscal year 2016, by \$304,658 to \$174,499 in fiscal year 2016 compared to negative \$130,159 in fiscal year 2015. This improvement in unrestricted net position occurred because certain long-term liabilities (compensation payable and other accrued liabilities), decreased by \$247,147 in fiscal year 2016. Such liabilities are incurred in the current fiscal year but are not funded until they mature or come due for payment in future periods. In addition, total revenues increased by \$523,995. This increase in revenues as well as a decrease in restricted net position also contributed to the improvement in unrestricted net position.

The District of Columbia Lottery and Charitable Games Control Board (the Lottery), a proprietary fund of the primary government, transfers substantially all of its net income to the District at the end of each fiscal year. In fiscal years 2016 and 2015, the Lottery transferred \$53,287 and \$55,586 to the District's General Fund, respectively.

**Chart MDA-1** graphically depicts the District's sources of revenues in its governmental activities as presented in **Table MDA-2**, Change in Net Position for the year ended September 30, 2016, found on page 28.

Chart MDA-1 – Revenue by Source – Governmental Activities

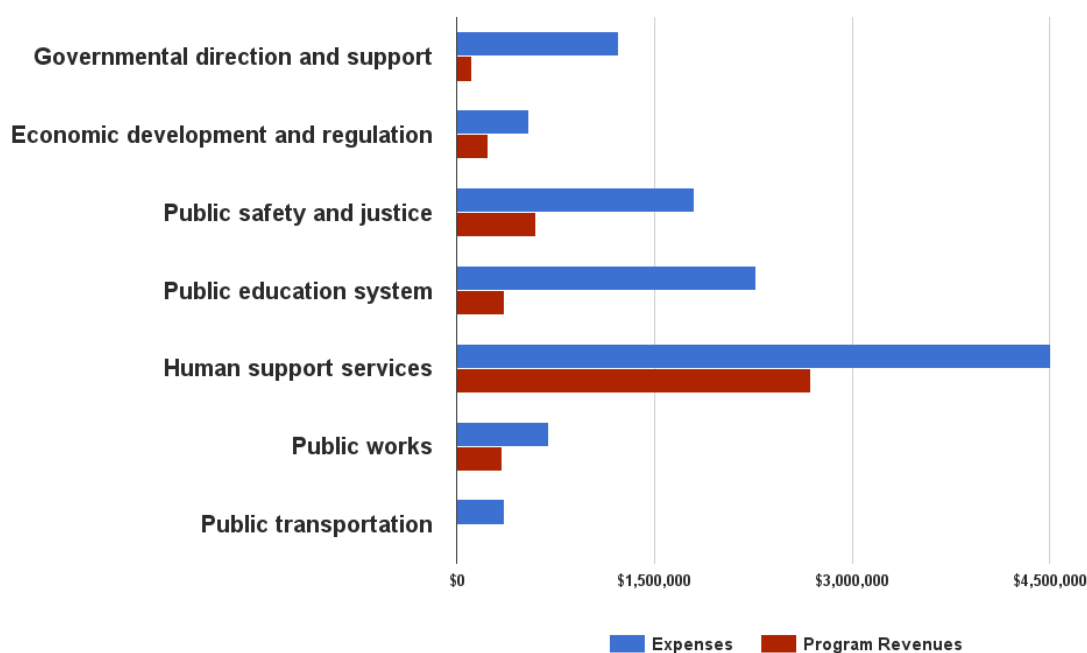


|   |           |                   |
|---|-----------|-------------------|
| Charges for services                          | \$        | 598,747           |
| Operating grants and contributions            |           | 3,577,091         |
| Capital grants and contributions              |           | 167,948           |
| Property taxes                                |           | 2,504,617         |
| Sales and use taxes                           |           | 1,451,441         |
| Income and franchise taxes                    |           | 2,417,206         |
| Other taxes                                   |           | 863,466           |
| Non-tax revenues                              |           | 521,931           |
| <b>Total Governmental Activities Revenues</b> | <b>\$</b> | <b>12,102,447</b> |

**Chart MDA-2** displays both expenses and program revenues of selected governmental activities for the fiscal year. The governmental activities are: governmental direction and support, economic

development and regulation, public safety and justice, public education system, human support services, public works, and public transportation.

Chart MDA-2 – Governmental Activities Expenses and Program Revenues



Net position of the business-type activities increased by \$51,828, or 16.35%, between fiscal year 2015 and 2016. Net position increased principally as a result of increases in revenues from employer taxes and governmental contributions combined with a decline in the payment of benefits resulting from a decrease in unemployment.

### Reporting on the District's Most Significant Funds

Fund financial statements focus on major funds, instead of fund types. Other than the general fund, which is always classified as a major fund, any other governmental fund is classified as a major fund if the fund has revenues, expenditures/expenses, assets plus deferred outflows of resources, or liabilities (excluding extraordinary items) plus deferred inflows of resources that are at least 10% of the corresponding totals for all governmental funds and at least 5.00% of the aggregate amount for all governmental and proprietary funds for the same item. Major funds, as required by generally accepted accounting principles (GAAP), are presented individually with nonmajor governmental funds combined in a single column. Detailed information for individual

nonmajor governmental funds can be found in Other Supplementary Information, Exhibits B-1 and B-2, presented on pages 156 and 157 of this report.

### Governmental Funds

The District's governmental funds provide information that is useful when assessing the District's financing needs, such as data pertaining to near-term inflows, outflows, and balances of spendable resources. Most basic services are reported in the governmental funds, which are further classified as General, Federal and Private Resources, Housing Production Trust, General Capital Improvements, and Nonmajor Governmental Funds. Please refer to Exhibits 2-a and 2-b presented on pages 46 and 47 for more detailed information about these funds.

#### Fund Balances:

The governmental funds reported a combined fund balance of \$2,914,250 in fiscal year 2016 and \$2,992,686 in fiscal year 2015, which represents a decrease of \$78,436, or 2.62%, from the prior year. The components of the combined fund balance of the governmental funds are presented in **Table MDA-3**.

**Table MDA-3 – Comparison of FY 2016 and FY 2015 Fund Balance**

| Governmental Fund             | 2016                | 2015                | Dollar<br>Variance | Percentage<br>Variance |
|-------------------------------|---------------------|---------------------|--------------------|------------------------|
| General                       | \$ 2,389,089        | \$ 2,167,062        | \$ 222,027         | 10.25%                 |
| Federal and private resources | 160,142             | 167,215             | (7,073)            | (4.23%)                |
| Housing production trust      | 250,311             | 185,496             | 64,815             | 34.94%                 |
| General capital improvements  | (228,870)           | 35,805              | (264,675)          | (739.21%)              |
| Nonmajor governmental funds   | 343,578             | 437,108             | (93,530)           | (21.40%)               |
| <b>Total Fund Balance</b>     | <b>\$ 2,914,250</b> | <b>\$ 2,992,686</b> | <b>\$ (78,436)</b> | <b>(2.62%)</b>         |

Fund balance in the Federal and Private Resources Fund decreased by \$7,073 or 4.23% between fiscal years 2015 and 2016. This decrease in fund balance was due to a 3.43% increase in total expenditures, primarily in human support services, which was not quite offset by a 3.14% increase in total revenues, primarily in operating grants. Total revenues in the Federal and Private Resources Fund increased by \$109,830 while expenditures increased by \$119,781.

Fund balance in the Housing Production Trust Fund increased by \$64,815, or 34.94% between fiscal years 2015 and 2016. This increase was due primarily to transfers of local funds from the General Fund to the Housing Production Trust Fund to fully fund it at \$100 Million, as requested by the Mayor, to finance the Affordable Housing Initiative. This initiative provides financial assistance to non-profit and for-profit developers that support the rehabilitation and acquisition of affordable housing for rental or homeownership in the District. In addition, \$40 Million derived from the excess deed recordation and deed transfer taxes, which were transferred to the Housing

Production Trust Fund, contributed to the increase.

Fund balance in the General Capital Improvements Fund decreased by \$264,675, from positive \$35,805 in fiscal year 2015 to negative \$228,870 in fiscal year 2016. Due to improved General Fund cash reserves, the Capital Improvements Fund borrowed from the General Fund to fund current activities, and to optimize the timing of the issuance of long-term bonds, which were later issued to reimburse the General Fund.

The most significant fund balance increase within the governmental funds, which totaled \$222,027, was in the General Fund, the District's primary operating fund. A more detailed discussion of the District's General Fund follows.

#### Revenues:

General Fund revenues increased by \$412,531 in fiscal year 2016. **Table MDA-4** presents the most significant one-year variances in General Fund revenues.

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

| Revenue Category           | 2016                | 2015                | Dollar<br>Variance | Percentage<br>Variance |
|----------------------------|---------------------|---------------------|--------------------|------------------------|
| Property taxes             | \$ 2,470,004        | \$ 2,316,147        | \$ 153,857         | 6.64%                  |
| Sales and use taxes        | 1,401,058           | 1,373,066           | 27,992             | 2.04%                  |
| Income and franchise taxes | 2,464,330           | 2,316,727           | 147,603            | 6.37%                  |
| <b>Total</b>               | <b>\$ 6,335,392</b> | <b>\$ 6,005,940</b> | <b>\$ 329,452</b>  | <b>5.49%</b>           |

**Property tax:**

Increases in property tax revenues were due primarily to higher assessed values of commercial properties and an increased rate of collection of associated taxes. The District also experienced an upswing in personal property tax revenues. Although the national housing crisis, recession and slow economic recovery resulted in declines in residential property values and associated tax assessments, the District's residential market continued to show solid improvement in fiscal year 2016, with residential home prices and sales increasing significantly. The continued recovery and economic growth resulted in increased collections of residential property taxes in fiscal year 2016.

**Sales and use tax:**

Improved economic conditions, which resulted in increased consumer spending, contributed to increased sales and use tax revenues in fiscal year 2016. In addition, revenues generated from some excise taxes, such as those imposed on purchases of alcoholic beverages and motor vehicles, also increased between fiscal year 2015 and 2016.

**Income and franchise taxes:**

As evidenced by the decline in unemployment and an increase in population, more individuals joined the workforce during fiscal year 2016. This resulted in increases in total salaries and wages thereby increasing the amount of salary/wage-related taxes. Capital gains realizations also led to increases in individual income taxes. Moreover, strong growth in corporate profits during fiscal year 2016 contributed to increases in business franchise tax revenues.

**Dedicated Revenues**

The dedicated portions of tax revenues related to the special revenue funds are recorded directly in those funds. However, dedicated taxes for the Convention Center, Healthcare Programs, and the Highway Trust Fund are transferred out of the local fund (the major component of the general fund). Healthcare Program activities are recorded in a segregated fund within the general fund. In fiscal year 2016, the District dedicated a total of \$501,562 in tax revenues to fund the projects shown in **Table MDA-5**.

**Expenditures:**

The District's general fund expenditures, excluding debt service, increased by \$387,207 from the previous year. Variances by program or function are presented in **Table MDA-6**.

**Table MDA-5 – Dedicated Local Tax Revenues**

|                      | General Fund                |                      |                        |                          |                  |                    |   | Special Revenue Funds   |  |                             |                     |                                     |
|----------------------|-----------------------------|----------------------|------------------------|--------------------------|------------------|--------------------|---|-------------------------|--|-----------------------------|---------------------|-------------------------------------|
|                      | Total<br>Dedicated<br>Taxes | Convention<br>Center | Healthcare<br>Programs | Highway<br>Trust<br>Fund | WMATA            | Healthy<br>Schools | Alcoholic<br>Beverage<br>Regulation<br>Administration | HPTF<br>Debt<br>Service | Tax<br>Increment<br>Financing<br>Program | PILOT<br>Special<br>Revenue | Baseball<br>Project | Housing<br>Production<br>Trust Fund |
| Property taxes       | \$ 33,887                   | \$ -                 | \$ -                   | \$ -                     | \$ -             | \$ -               | \$ -  | \$ -                    | \$ 17,086                                | \$ 16,801                   | \$ -                | \$ -                                |
| Sales and use taxes  | 251,725                     | 123,551              | -                      | -                        | 72,355           | 4,266              | 1,170   | -                       | 33,963                                   | -                           | 16,420              | -                                   |
| Deed recordation     | 37,504                      | -                    | -                      | -                        | -                | -                  | -   | 6,711                   | -  | -                           | -                   | 30,793                              |
| Gross receipts taxes | 43,155                      | -                    | -                      | -                        | -                | -                  | -   | -                       | -  | -                           | 43,155              | -                                   |
| Deed transfers       | 26,196                      | -                    | -                      | -                        | -                | -                  | -   | 1,111                   | -  | -                           | -                   | 25,085                              |
| Motor fuel taxes     | 25,333                      | -                    | -                      | 25,333                   | -                | -                  | -   | -                       | -  | -                           | -                   | -                                   |
| Other taxes          | 83,762                      | -                    | 83,762                 | -                        | -                | -                  | -   | -                       | -  | -                           | -                   | -                                   |
| <b>Total taxes</b>   | <b>\$ 501,562</b>           | <b>\$ 123,551</b>    | <b>\$ 83,762</b>       | <b>\$ 25,333</b>         | <b>\$ 72,355</b> | <b>\$ 4,266</b>    | <b>\$ 1,170</b>                                       | <b>\$ 7,822</b>         | <b>\$ 51,049</b>                         | <b>\$ 16,801</b>            | <b>\$ 59,575</b>    | <b>\$ 55,878</b>                    |



Table MDA-6 – General Fund Expenditure Variances by Function

| Function/Program                      | 2016                | 2015                | Dollar Variance   | Percentage Variance |
|---------------------------------------|---------------------|---------------------|-------------------|---------------------|
| Governmental direction and support    | \$ 957,151          | \$ 870,067          | \$ 87,084         | 10.01%              |
| Economic development and regulation   | 404,313             | 309,346             | 94,967            | 30.70%              |
| Public safety and justice             | 1,227,558           | 1,044,356           | 183,202           | 17.54%              |
| Public education system               | 1,947,968           | 1,866,863           | 81,105            | 4.34%               |
| Human support services                | 1,860,387           | 1,954,001           | (93,614)          | (4.79%)             |
| Public works                          | 339,856             | 328,787             | 11,069            | 3.37%               |
| Public transportation                 | 359,097             | 335,703             | 23,394            | 6.97%               |
| <b>Total Expenditures by Function</b> | <b>\$ 7,096,330</b> | <b>\$ 6,709,123</b> | <b>\$ 387,207</b> | <b>5.77%</b>        |

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

**Governmental Direction and Support** – Increased expenditures in Governmental Direction and Support resulted primarily from significant increases in overtime costs due to the “epic” snowstorm in 2016 and the implementation of a lead filter and testing initiative in response to DCPS’s water levels testing within District schools. Certain increases in expenditures resulted from rising fixed costs associated with managing and maintaining District leased and owned properties: utilities, facility maintenance and protective security services. In addition, spending in this functional area also increased as a result of a mass work order reduction initiative initiated by the Department of General Services, new and ongoing communications and technology projects and activities, and other initiatives designed to further enhance government operations and management.

**Economic Development and Regulation** – The increase in Economic Development and Regulation expenditures resulted mostly from resource and program enhancements designed to preserve and increase the supply of quality affordable housing for low-income persons, particularly those with serious and persistent mental or emotional illness and senior citizens. In addition, implementation and expansion of certain workforce development and youth employment initiatives within the Department of Employment Services also contributed to the increased expenditures.

**Public Safety and Justice** – Increased expenditures in Public Safety and Justice expenditures were associated with additional funding appropriated for body worn cameras for the Metropolitan Police Department; third-party emergency medical-transport services for the Fire and Emergency Medical Services Department; crime scene sciences for the Department of Forensic Sciences; and synthetic drug testing for the Office of the Chief Medical Examiner, all of which were designed to enhance operational efficiency and the quality of services provided.

**Public Education** – Public Education expenditures increased due to several factors, some of which included: the effects of an increase in the Uniform Per Student Funding Formula (UPSFF), increased student enrollment and other enhancements to

educational services and support programs offered by the District’s public schools and public charter schools. Such enhancements include an increase in expenditures for students with Individualized Education Programs (IEPs), At-Risk students and Special Education enrollment.

**Human Support Services** – Human Support Services Agencies continued to provide an array of services to sustain, support and assist the District’s most vulnerable residents. Such services were provided to assist residents in the following areas: homelessness, substance and mental abuse, the prevention and promotion of health and wellness, and other human welfare issues through such programs as Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program (SNAP). Human Support Services expenditures decreased over the one-year period due to reductions in certain grant-funded programs such as Healthy Start; Maternal, Infant, and Early Childhood Home Visitation; HIV Emergency Relief Projects; and the implementation of certain programmatic efficiencies.

**Public Works** – Public Works expenditures increased due to several factors, including costs associated with cleaning public spaces throughout the District and managing the city’s fleet operations. Moreover, implementation of other enhancements to programs designed to promote environmental stewardship, innovation, pollution prevention, and resource conservation also led to increased public works expenditures.

**Public Transportation** – The District, along with other jurisdictions in the metropolitan region, provide funding to support the operations of the Washington Metropolitan Area Transit Authority (WMATA). Increases in Public Transportation expenditures in fiscal year 2016 resulted from increased WMATA’s operating cost, which led to increased subsidies being paid by the District. The implementation of initiatives such as a traffic congestion management study (designed to identify strategies for preventing and better managing the flow of traffic in the District) and a project designed to reduce the risk of flooding in the Bloomingdale area of the District also contributed to the increased expenditures in fiscal year 2016.

### Capital Expenditures and Financing

The District spent \$1,095,464 on general capital improvements which exceeded the general capital improvements revenues of \$175,949 by \$919,515. This deficiency was subsequently financed with a total of \$654,840 from bond proceeds and other financing sources. The net change in fund balance was a decrease of \$264,675, which resulted in a negative fund balance of \$228,870.

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

costs and maximize the pool of potential investors for the District's debt issuances.

### Proprietary Funds

The District has two major Proprietary Funds: the District of Columbia Lottery and Charitable Games Control Board (Lottery), and the Unemployment Compensation Fund (Unemployment).

The total assets for the Lottery decreased by \$417, or 2.17%, compared to the prior year, due to scheduled payments to long-term prize winners.

Total assets for Unemployment increased by \$47,928, or 12.97%, due primarily to cash receipts from employer taxes and governmental agencies exceeding the unemployment benefits payments.

Overall total net position of the District's proprietary funds increased by \$51,828, or 16.35%, over the prior year. Exhibits 3-a, 3-b, and 3-c on pages 50 through 52 present the financial statements of the proprietary funds.

**Charts MDA-3 and MDA-4** graphically present comparisons of the revenues and expenses of the District's proprietary funds, based on information contained in the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds, shown on page 51 of this report.

**Chart MDA-3 – Operating Revenues and Expenses – Business-Type Activities**

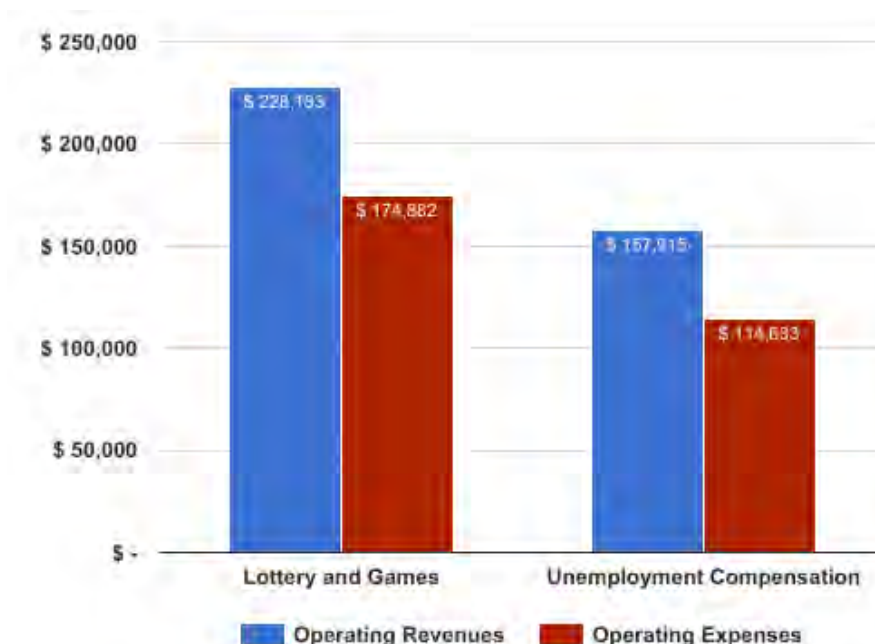
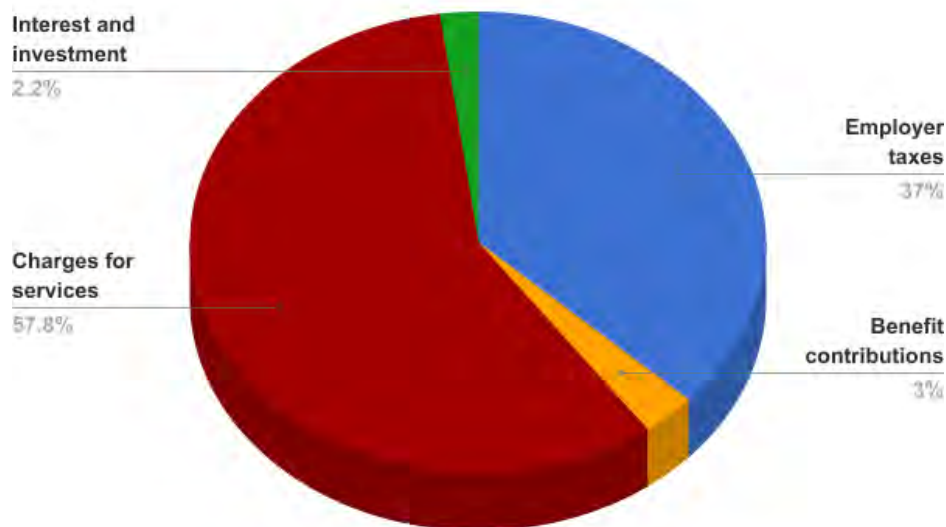


Chart MDA-4 – Revenues by Source – Business-Type Activities



|                            |           |                |
|----------------------------|-----------|----------------|
| Employer taxes             | \$        | 145,887        |
| Benefit contributions      |           | 12,028         |
| Charges for services       |           | 228,183        |
| Interest and investment    |           | 8,532          |
| <b>Total Business-Type</b> | <b>\$</b> | <b>394,630</b> |

### Fiduciary Funds

The *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. The District is the *trustee* or *fiduciary* for its employees' pension plans and other postemployment benefits (OPEB). All fiduciary activities are reported in Exhibit 4-a, *Statement of Fiduciary Net Position* and Exhibit 4-b, *Statement of Changes in Fiduciary Net Position* on pages 53 and 54 respectively. Exhibits C-1, C-2, and C-3, presented on pages 160, 161, and 162

respectively, provide additional information. These activities are excluded from the District's governmental and business-type activities because resources of fiduciary funds are restricted and are not available to support the District's operations. The changes in the net position of the Pension and OPEB Trust Funds are presented in **Table MDA-7**.

Net position of the fiduciary funds increased mainly as a result of higher investment returns in fiscal year 2016.

Table MDA-7 – Variances in Net Position of Pension and OPEB Trust Funds

| Trust Fund                      | 2016                | 2015                | Dollar Variance   | Percentage Variance |
|---------------------------------|---------------------|---------------------|-------------------|---------------------|
| Police and Firefighters Pension | \$ 4,954,631        | \$ 4,461,998        | \$ 492,633        | 11.04%              |
| Teachers Pension                | 1,821,949           | 1,670,638           | 151,311           | 9.06%               |
| Other Postemployment Benefits   | 1,197,441           | 1,076,551           | 120,890           | 11.23%              |
| <b>Total Net Assets</b>         | <b>\$ 7,974,021</b> | <b>\$ 7,209,187</b> | <b>\$ 764,834</b> | <b>10.61%</b>       |

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

Purpose Trust Fund.

### Component Units

Discretely presented component units are legally separate organizations that meet the following criteria: (a) the District appoints a voting majority of the entity's governing board and (b) there is a financial benefit/burden relationship between the District and

the entity or the District is able to impose its will on the entity. Consistent with these criteria, the District reports five discretely presented component units: (1) Health Benefit Exchange Authority; (2) Washington Convention and Sports Authority (t/a Events DC); (3) Not-For-Profit Hospital Corporation (d/b/a United Medical Center); (4) Housing Finance Agency; and (5) University of the District of Columbia.

Other component units have operations that are so intertwined with those of the primary government that they function, for all practical purposes, as an integral part of the primary government. These are reported as blended component units. A component unit should be blended when the primary government and the component unit share a common governing body and (a) there is a financial benefit or burden relationship between the primary government and the entity, or (b) the primary government has operational responsibility for the entity. In addition, blending is required when the component unit either: (a) provides service entirely or almost entirely to the primary government; or otherwise exclusively or almost exclusively benefits the primary government, although it does not provide services directly to it; or (b) the entity's total debt outstanding is expected to be repaid entirely or almost entirely with District resources.

The District reports one blended component unit, the Tobacco Settlement Financing Corporation (Tobacco Corporation). 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 which constitutes a benefit/burden relationship; and (c) the District has the ability to modify or approve the Tobacco Corporation's budget, which gives the District the ability to impose its will on the Tobacco Corporation. In addition, the Tobacco Corporation provides services entirely to the District.

Each of the component units prepares its own independently audited financial statements, which are accompanied by their respective Management's Discussion and Analysis. Exhibits 5-a and 5-b on pages 55 and 56 respectively, present more detailed financial information on the District's component units.

### Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. This need occurs due to

time lags between the receipt of taxes, grants and other revenues, and the outflow of funds for governmental operations and required disbursements. The District issued \$250,000 in Tax Revenue Anticipation Notes (TRANs) on December 2, 2015, at an interest rate of 1.50%. The District is required by law to repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. Accordingly, by September 30, 2016, the District had repaid these outstanding TRANs.

Historically, during the first quarter of each fiscal year, the District has issued TRANs to fund seasonal cash flow needs for that year. Due to the District's improved cash management practices and the build-up of reserves, the use of short-term borrowing to sustain operations during fiscal year 2017 was not needed.

### Long-Term Debt

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

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

As of September 30, 2016, the District had \$11,146,214 (including business activities) in long-term debt outstanding, of which \$9,567,004, or 85.83% was in the form of bonds. Of the outstanding bonds, \$3,829,305, or 40.03%, were General Obligation Bonds, and \$4,240,155, or 44.32%, were Income Tax Secured Revenue Bonds. **Table MDA-8** presents the District's outstanding bonds as of September 30, 2016.



**Table MDA-8 – Outstanding Bonds as of September 30, 2016 and 2015**

| Outstanding Bond Debt            |                     |                     |                  |                     |  |
|----------------------------------|---------------------|---------------------|------------------|---------------------|--|
| Type of Bonds                    | 2016                | 2015                | Dollar Variance  | Percentage Variance |  |
| General Obligation Bonds         | \$ 3,829,305        | \$ 3,530,770        | \$ 298,535       | 8.46%               |  |
| Income Tax Secured Revenue Bonds | 4,240,155           | 4,327,855           | (87,700)         | (2.03%)             |  |
| Other Bonds:                     |                     |                     |                  |                     |  |
| Qualified Zone Academy Bonds     | 3,845               | 4,791               | (946)            | (19.75%)            |  |
| Tobacco Bonds                    | 600,974             | 616,404             | (15,430)         | (2.50%)             |  |
| TIF Bonds                        | 96,822              | 100,895             | (4,073)          | (4.04%)             |  |
| Ballpark Bonds                   | 371,305             | 467,360             | (96,055)         | (20.55%)            |  |
| GARVEE Revenue Bonds             | 97,420              | 104,395             | (6,975)          | (6.68%)             |  |
| HPTF Bonds                       | 112,965             | 115,565             | (2,600)          | (2.25%)             |  |
| PILOT Revenue Bonds              | 214,213             | 215,647             | (1,434)          | (0.66%)             |  |
| <b>Total</b>                     | <b>\$ 9,567,004</b> | <b>\$ 9,483,682</b> | <b>\$ 83,322</b> | <b>0.88%</b>        |  |

The \$298,535 increase in General Obligation Bonds is due primarily to the following bond issuance made in fiscal year 2016:

- In June 2016, the District issued \$431,815 in General Obligation Bonds, Series 2016A. The proceeds of the Series 2016A 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 Bonds. The interest rates pertaining to the Series 2016A Bonds range between 1.75% and 5.00%.

The District also issued \$95,575 in Income Tax Secured Revenue Refunding Bonds, Series 2015A, in November 2015. 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).

In fiscal year 2016, the District paid \$96,055 toward the Ballpark Revenue Bonds, Series 2006A and 2006B-1. The District's payment includes \$88,130 in addition to

the minimum annual debt service requirement, as a result of collecting increased Ballpark Revenue Bonds dedicated revenues.

For more detailed information on the District's long-term debt activity, refer to Note 8, Long-Term Liabilities, found on pages 109 through 119.

### Capital Assets

The General Capital Improvements Fund is used to account for the purchase or construction of capital assets financed by transfers, capital grants, and debt. Capital assets include, but are not limited to: land, buildings, police and fire equipment, office equipment, park facilities, roads, and bridges. In fiscal year 2016, total net capital assets (capital assets less depreciation) increased by \$515,026, or 4.32%, over the prior year. Total overall capital assets has continued to increase because the District has been investing resources in the construction of new assets and the rehabilitation of existing infrastructure, such as roads, streets, and bridges.

As of September 30, 2016, total net capital assets (capital assets less depreciation) was \$12,432,219. Net capital assets of the governmental activities totaled \$12,431,889 and the net capital assets of the business-type activities totaled \$330. The governmental activities depreciation charges for fiscal year 2016 totaled \$413,125 compared to the prior year's amount of \$391,147. **Table MDA-9** presents more detailed information on the District's net capital assets.

**Table MDA-9 – Net Capital Assets as of September 30, 2016**

| Asset Category                  | Governmental Activities |                      | Business-type Activities |               | Total                |                      |
|---------------------------------|-------------------------|----------------------|--------------------------|---------------|----------------------|----------------------|
|                                 | 2016                    | 2015                 | 2016                     | 2015          | 2016                 | 2015                 |
| Land                            | \$ 948,412              | \$ 933,835           | \$ -                     | \$ -          | \$ 948,412           | \$ 933,835           |
| Buildings                       | 6,425,147               | 5,991,316            | -                        | -             | 6,425,147            | 5,991,316            |
| Infrastructure                  | 3,523,083               | 3,324,697            | -                        | -             | 3,523,083            | 3,324,697            |
| Equipment                       | 315,339                 | 341,558              | 330                      | 169           | 315,669              | 341,727              |
| Construction in progress        | 1,219,908               | 1,325,618            | -                        | -             | 1,219,908            | 1,325,618            |
| <b>Total net capital assets</b> | <b>\$ 12,431,889</b>    | <b>\$ 11,917,024</b> | <b>\$ 330</b>            | <b>\$ 169</b> | <b>\$ 12,432,219</b> | <b>\$ 11,917,193</b> |

Note: For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 98 through 102.

## REPORTING THE DISTRICT BUDGET

## Overview in Brief

D.C. Code § 47-392.01(c) (1) (A) requires the District to prepare a balanced budget each year. After approval of the adopted budget, the Mayor submits the Federal Portion Budget Request Act to the President of the United States (the President) and then to Congress for approval. The Local Budget Act is forwarded by the Chairman of the Council to Congress. Congress can: (1) take no action on the Budget Act, in which case it becomes law after 30 Congressional days in the same manner as other District legislation; (2) reject the Budget Act; (3) affirmatively approve the Budget Act with or without Congressional amendments; or (4) adopt an appropriation for the District in the federal appropriations bill, in a continuing resolution, or as a stand-alone piece of legislation, in which case, that action controls.

The Chief Financial Officer is responsible for forecasting revenue for the District government. Each

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

## General Fund Budgetary Highlights

The General Fund is the chief budgetary operating fund of the primary government. **Table MDA-10** presents variances between revised budget amounts and actual expenditures in a Schedule of Budgetary Basis Revenues and Expenditures for the General Fund for the fiscal year ended September 30, 2016.

Table MDA-10 – Schedule of General Fund Budgetary Basis Revenues and Expenditures

|   | Original<br>Budget | Revised<br>Budget | Actual            | Variance          |
|---|--------------------|-------------------|-------------------|-------------------|
| <b>Revenues and Other Sources:</b>  |                    |                   |                   |                   |
| Taxes   | \$ 6,756,594       | \$ 6,718,502      | \$ 7,050,284      | \$ 331,782        |
| Licenses and permits  | 77,667             | 85,960            | 90,432            | 4,472             |
| Fines and forfeitures   | 136,616            | 151,536           | 197,439           | 45,903            |
| Charges for services  | 75,429             | 78,365            | 80,251            | 1,886             |
| Miscellaneous   | 95,375             | 106,221           | 140,886           | 34,665            |
| Other sources   | 587,345            | 463,547           | 533,557           | 70,010            |
| Bond proceeds   | 6,000              | 6,000             | 2,600             | (3,400)           |
| Fund balance released from restrictions   | 121,079            | 402,830           | 63,812            | (339,018)         |
| Interfund transfer from lottery and games   | 62,500             | 55,000            | 53,287            | (1,713)           |
| Interfund transfer - others   | 66,410             | 80,492            | 27,216            | (53,276)          |
| <b>Total revenues and other sources</b>   | <b>7,985,015</b>   | <b>8,148,453</b>  | <b>8,239,764</b>  | <b>91,311</b>     |
| <b>Expenditures and Other Uses:</b>   |                    |                   |                   |                   |
| Governmental direction and support  | 756,798            | 775,065           | 761,189           | 13,876            |
| Economic development and regulation   | 440,032            | 493,807           | 470,338           | 23,469            |
| Public safety and justice   | 1,158,185          | 1,231,093         | 1,227,294         | 3,799             |
| Public education  | 1,908,453          | 1,948,880         | 1,933,142         | 15,738            |
| Human support services  | 1,913,748          | 1,877,617         | 1,855,731         | 21,886            |
| Public works  | 735,893            | 710,223           | 698,217           | 12,006            |
| Repay bonds and interest  | 614,323            | 574,955           | 571,900           | 3,055             |
| Other expenditures and uses   | 443,251            | 432,729           | 420,785           | 11,944            |
| <b>Total expenditures and other uses</b>  | <b>7,970,683</b>   | <b>8,044,369</b>  | <b>7,938,596</b>  | <b>105,773</b>    |
| <b>Excess of Revenues and Other Sources Over Expenditures and Other Uses -Budgetary Basis</b> | <b>\$ 14,332</b>   | <b>\$ 104,084</b> | <b>\$ 301,168</b> | <b>\$ 197,084</b> |

## Revenues and Other Sources

As presented in **Table MDA-10**, actual General Fund revenues and other sources were \$91,311 more than the revised budget. This variance was primarily due to excess revenues being generated and as a result, the planned use of fund balance to fund certain activities was not necessary.

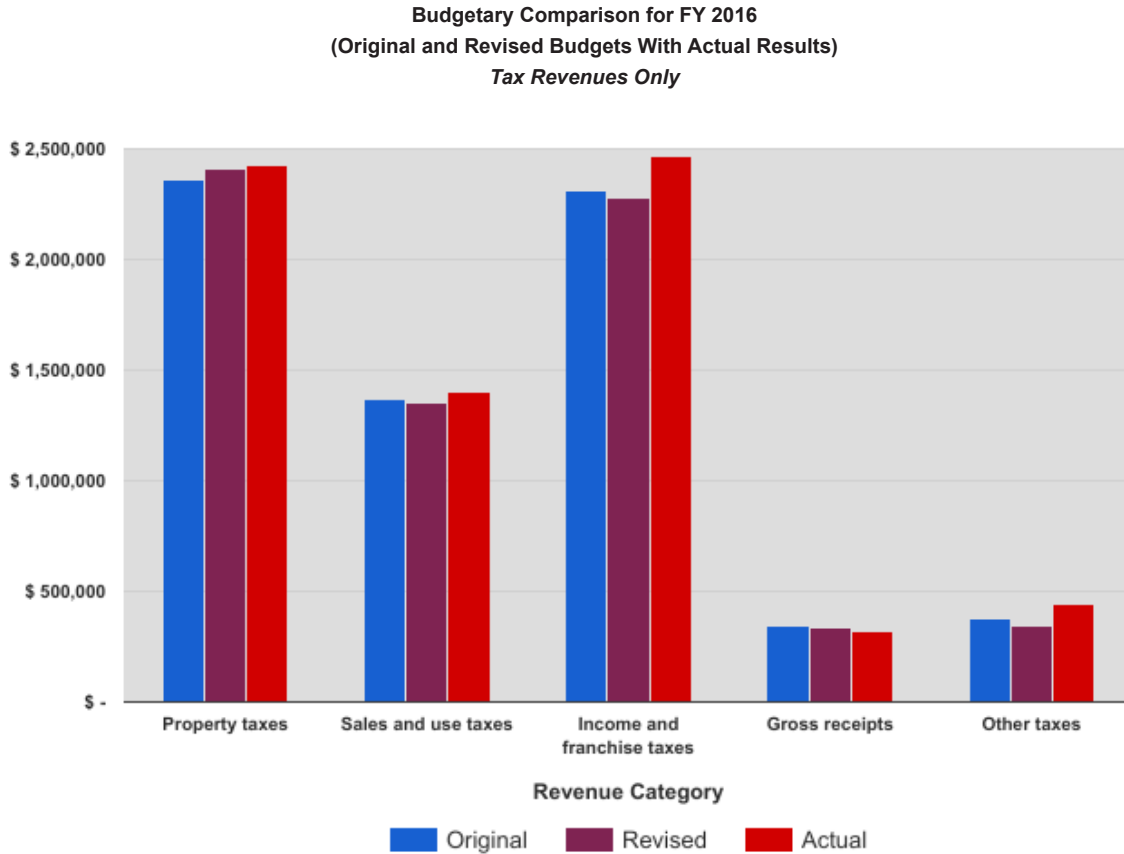
**Fund Balance Released from Restrictions** - Fund balance released from restrictions represents the portion of assets that were restricted for either a period of time or for a particular purpose for which the imposed conditions have been met, allowing the assets to become available for use. In other words, this amount of fund balance was used to finance current year's operations. As shown in **Table MDA-10**, actual fund balance released from restrictions was

\$339,018 less than anticipated for fiscal year 2016.

Approximately 85.56% of the General Fund's revenues and other sources are derived from taxes. **Chart**

**MDA-5** graphically presents differences between the General Fund's original budget, final revised budget and actual revenues (by type of tax) for fiscal year 2016.

#### Chart MDA-5 – Budgetary Comparison – Tax Revenues



#### **Expenditures and Other Uses**

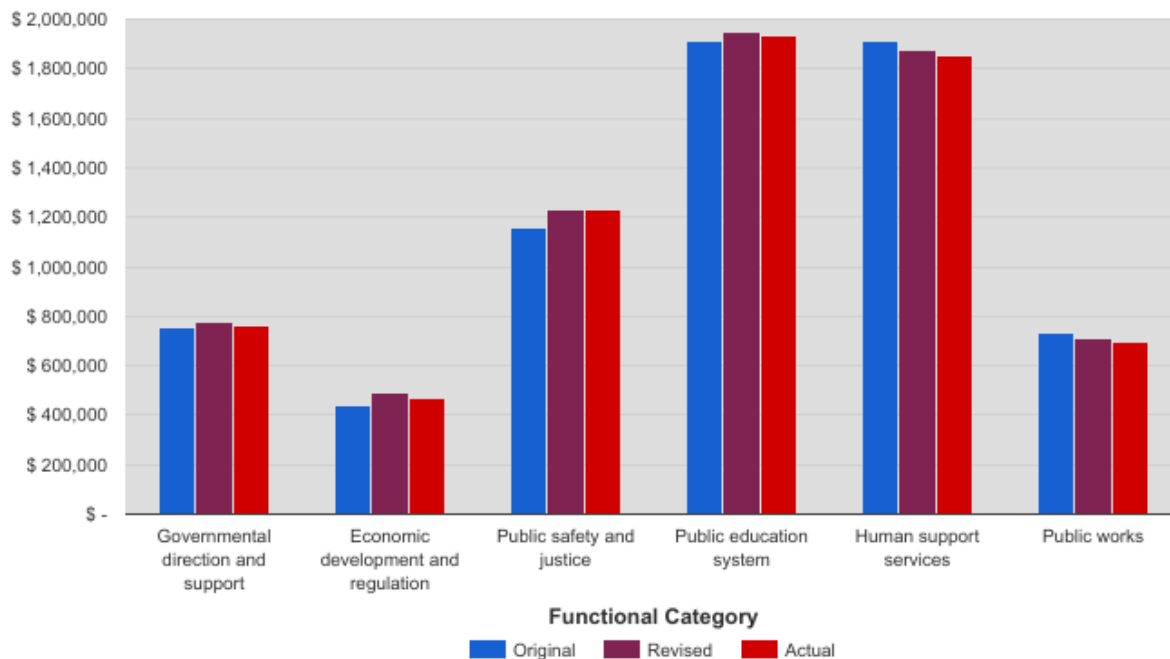
Actual General Fund expenditures and other uses were \$105,773 less than the revised budget. As presented in **Table MDA-10**, this variance was primarily due to underspending in the areas of Economic Development and Regulation, Human Support Services, Governmental Direction and Support, and Public Education.

Approximately 63% of the General Fund's expenditures were in the areas of Human Support Services, Public Education, and Public Safety and Justice combined.

**Chart MDA-6** graphically presents differences between the General Fund's original budget, revised budget, and actual expenditures (by functional category) for fiscal year 2016.

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

**Budgetary Comparison for FY 2016**  
**(Original and Revised Budgets With Actual Results)**  
*General Fund*



For more detailed information, refer to the budgetary schedules for the General Fund, Exhibits A-4 to A-6 which are presented on pages 151 through 153.



## SUBSEQUENT EVENTS

### General Obligation Bonds

In December 2016, the District issued \$398,910 in General Obligation Bonds, Series 2016D and \$190,635 in General Obligation Refunding Bonds, Series 2016E. The proceeds of the Series 2016D Bonds will be 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 2016D Bonds. The proceeds of the Series 2016E Bonds will be used to: (1) advance refund a portion of the District's outstanding General Obligation Bonds, Series 2007C and (2) pay the costs and expenses of issuing and delivering the Series 2016E Bonds. The assumed interest rate pertaining to the Series 2016D is 3.00% at the first maturity date of June 1, 2019, then 5.00% to the end of the bond term. The interest rate related to the Series 2016E Bonds is 5.00%.

### General Obligation Direct Purchase Bonds

In November 2016, the District issued \$190,145 in Multimodal General Obligation Refunding Bonds, Series 2016B and \$224,315 in Series 2016C. The Series 2016B Bonds were issued to currently refund the Multimodal General Obligation Bonds, Series 2014A and the Income Tax Secured Revenue Bonds (SIFMA Notes), Series 2015A. The Series 2016C Bonds were issued to currently refund the Multimodal General Obligation Refunding Bonds, Series 2014B. The Series 2016B and 2016C Multimodal General Obligation Refunding Bonds were issued in the LIBOR Index Mode as authorized under the Ninth Supplemental Indenture by and between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated as of November 1, 2016. The interest on the bonds is payable monthly on the first business day of each month, commencing December 1, 2016.

These and other subsequent events are presented in more detail in Note 16, found on pages 137 through 138.

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

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

**Office of the Chief Financial Officer**  
**John A. Wilson Building**  
**1350 Pennsylvania Avenue, N.W., Suite 209**  
**Washington, DC 20004**  
**(202) 727-2476**  
[www.cfo.dc.gov](http://www.cfo.dc.gov)



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## BASIC FINANCIAL STATEMENTS

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

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

## Exhibit 1-a

**District of Columbia**  
**Statement of Net Position**  
**September 30, 2016**  
**(With Comparative Totals at September 30, 2015)**  
**(\$000s)**

|  | Primary Government  |                   |                     |                     |                   | Component<br>Units |
|--|---------------------|-------------------|---------------------|---------------------|-------------------|--------------------|
|  | Governmental        | Business-Type     | Totals              |                     |                   |                    |
|  | Activities          | Activities        | 2016                | 2015                |                   |                    |
| <b>ASSETS</b>  |                     |                   |                     |                     |                   |                    |
| Cash and cash equivalents                                  | \$ 1,493,011        | \$ 12,375         | \$ 1,505,386        | \$ 1,740,119        | \$ 181,671        |                    |
| Investments  | -                   | -                 | -                   | -                   | 158,445           |                    |
| Due from federal government                                | 459,030             | 600               | 459,630             | 555,834             | -                 |                    |
| Taxes receivable, net                                      | 380,407             | -                 | 380,407             | 324,997             | -                 |                    |
| Accounts receivable, net                                   | 251,602             | 13,677            | 265,279             | 202,257             | 34,084            |                    |
| Other receivables  | -                   | -                 | -                   | -                   | 18,598            |                    |
| Due from primary government                                | -                   | -                 | -                   | -                   | 20,108            |                    |
| Due from component units                                   | 25,793              | -                 | 25,793              | 17,502              | -                 |                    |
| Due from fiduciary funds                                   | 2,017               | -                 | 2,017               | 1,595               | 349               |                    |
| Internal balances  | 21,476              | (21,476)          | -                   | -                   | -                 |                    |
| Inventories  | 11,633              | -                 | 11,633              | 16,486              | 1,717             |                    |
| Other current assets                                       | 4,281               | 4                 | 4,285               | 3,476               | 71,795            |                    |
| Derivative instrument assets                               | 513                 | -                 | 513                 | 605                 | -                 |                    |
| Cash and cash equivalents (restricted)                     | 1,569,038           | 406,596           | 1,975,634           | 2,069,833           | 176,914           |                    |
| Investments (restricted)                                   | 123,032             | 2,336             | 125,368             | 95,604              | 371,766           |                    |
| Other long-term assets                                     | 270,438             | -                 | 270,438             | 264,067             | 1,031,776         |                    |
| Net pension assets   | 279,069             | -                 | 279,069             | 78,585              | -                 |                    |
| Depreciable capital assets, net                            | 10,263,569          | 330               | 10,263,899          | 9,657,740           | 840,441           |                    |
| Non-depreciable capital assets                             | 2,168,320           | -                 | 2,168,320           | 2,259,453           | 36,116            |                    |
| <b>Total assets</b>  | <b>17,323,229</b>   | <b>414,442</b>    | <b>17,737,671</b>   | <b>17,288,153</b>   | <b>2,943,780</b>  |                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                     |                   |                     |                     |                   |                    |
| Derivative instrument - hedge                              | 51,806              | -                 | 51,806              | 53,571              | -                 |                    |
| Pension  | 401,591             | -                 | 401,591             | 533,423             | -                 |                    |
| Advance refunding loss                                     | 5,747               | -                 | 5,747               | 6,375               | 14,729            |                    |
| <b>Total deferred outflows of resources</b>                | <b>459,144</b>      | <b>-</b>          | <b>459,144</b>      | <b>593,369</b>      | <b>14,729</b>     |                    |
| <b>Total assets and deferred outflows of resources</b>     | <b>17,782,373</b>   | <b>414,442</b>    | <b>18,196,815</b>   | <b>17,881,522</b>   | <b>2,958,509</b>  |                    |
| <b>LIABILITIES</b>   |                     |                   |                     |                     |                   |                    |
| Accounts payable   | 760,548             | 33,504            | 794,052             | 817,563             | 41,649            |                    |
| Compensation payable                                       | 136,106             | 241               | 136,347             | 205,825             | 17,134            |                    |
| Due to primary government                                  | -                   | -                 | -                   | -                   | 25,793            |                    |
| Due to component units                                     | 20,108              | -                 | 20,108              | 37,419              | -                 |                    |
| Unearned revenues  | 227,111             | 81                | 227,192             | 223,273             | 14,807            |                    |
| Accrued liabilities  | 282,759             | 9,086             | 291,845             | 468,582             | 16,614            |                    |
| Accrued interest payable                                   | 147,329             | -                 | 147,329             | 142,447             | -                 |                    |
| Other current liabilities                                  | 63,999              | -                 | 63,999              | 58,614              | 153,824           |                    |
| Derivative instrument liabilities                          | 51,806              | -                 | 51,806              | 53,571              | -                 |                    |
| Net pension liabilities                                    | 242,189             | -                 | 242,189             | 280,173             | -                 |                    |
| Long-term liabilities:                                     |                     |                   |                     |                     |                   |                    |
| Due within one year  | 564,378             | 807               | 565,185             | 534,372             | 88,688            |                    |
| Due in more than one year                                  | 10,579,057          | 1,972             | 10,581,029          | 10,600,390          | 1,681,660         |                    |
| <b>Total liabilities</b>                                   | <b>13,075,390</b>   | <b>45,691</b>     | <b>13,121,081</b>   | <b>13,422,229</b>   | <b>2,040,169</b>  |                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                     |                   |                     |                     |                   |                    |
| Capital lease gain   | 31,735              | -                 | 31,735              | 33,712              | -                 |                    |
| Pension  | 228,581             | -                 | 228,581             | 9,210               | -                 |                    |
| <b>Total deferred inflows of resources</b>                 | <b>260,316</b>      | <b>-</b>          | <b>260,316</b>      | <b>42,922</b>       | <b>-</b>          |                    |
| <b>Total liabilities and deferred inflows of resources</b> | <b>13,335,706</b>   | <b>45,691</b>     | <b>13,381,397</b>   | <b>13,465,151</b>   | <b>2,040,169</b>  |                    |
| <b>NET POSITION</b>  |                     |                   |                     |                     |                   |                    |
| Net investment in capital assets                           | 2,835,463           | 330               | 2,835,793           | 2,639,238           | 488,411           |                    |
| Restricted for:  |                     |                   |                     |                     |                   |                    |
| Expendable   |                     |                   |                     |                     |                   |                    |
| Pension  | 209,890             | -                 | 209,890             | 322,625             | -                 |                    |
| Debt service   | 498,030             | -                 | 498,030             | 397,557             | -                 |                    |
| Benefit payments   | -                   | 364,237           | 364,237             | 312,483             | -                 |                    |
| Capital projects   | 68,324              | -                 | 68,324              | 102,320             | -                 |                    |
| Grants and special purposes                                | 160,142             | -                 | 160,142             | 167,215             | -                 |                    |
| Budget reserves  | 21,664              | -                 | 21,664              | 24,598              | -                 |                    |
| Purpose restriction  | 95,774              | -                 | 95,774              | 144,146             | -                 |                    |
| Emergency reserves   | 387,065             | -                 | 387,065             | 366,249             | -                 |                    |
| FEMS Settlement  | -                   | -                 | -                   | 47,000              | -                 |                    |
| Other  | -                   | -                 | -                   | 23,099              | 229,356           |                    |
| Nonexpendable  | -                   | -                 | -                   | -                   | 15,866            |                    |
| Unrestricted (deficit)                                     | 170,315             | 4,184             | 174,499             | (130,159)           | 184,707           |                    |
| <b>Total net position</b>                                  | <b>\$ 4,446,667</b> | <b>\$ 368,751</b> | <b>\$ 4,815,418</b> | <b>\$ 4,416,371</b> | <b>\$ 918,340</b> |                    |

The accompanying notes are an integral part of this statement.



Exhibit 1-b

District of Columbia  
Statement of Activities  
For the Year Ended September 30, 2016  
(With Comparative Totals for the Year Ended September 30, 2015)  
(\$000s)

| Functions/Programs                          | Program Revenues     |  |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                     |                     |                   |
|---|----------------------|--|------------------------------------|----------------------------------|---|--------------------------|---------------------|---------------------|-------------------|
|   | Expenses             | Charges for Services, Fines & Forfeits | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                     |                     | Component Units   |
|   |                      |  |                                    |                                  | Governmental Activities                           | Business-Type Activities | Totals              |                     |                   |
|   |                      |  |                                    |                                  |   |                          | 2016                | 2015                |                   |
| <b>Governmental activities:</b>             |                      |  |                                    |                                  |   |                          |                     |                     |                   |
| Governmental direction and support          | \$ 1,228,553         | \$ 76,358                              | \$ 36,903                          | \$ -                             | \$ (1,115,292)                                    | \$ (1,115,292)           | \$ (1,005,807)      |                     |                   |
| Economic development and regulation         | 548,314              | 172,898                                | 63,129                             | -                                | (312,287)   | (312,287)                | (246,151)           |                     |                   |
| Public safety and justice                   | 1,799,670            | 157,997                                | 443,222                            | -                                | (1,198,451)                                       | (1,198,451)              | (1,145,016)         |                     |                   |
| Public education system                     | 2,271,561            | 1,281                                  | 359,976                            | -                                | (1,910,304)                                       | (1,910,304)              | (1,935,304)         |                     |                   |
| Human support services                      | 4,507,123            | 6,621                                  | 2,648,291                          | 32,252                           | (1,819,959)                                       | (1,819,959)              | (1,974,541)         |                     |                   |
| Public works                                | 701,559              | 183,592                                | 25,570                             | 135,696                          | (356,701)   | (356,701)                | (316,288)           |                     |                   |
| Public transportation                       | 359,097              | -                                      | -                                  | -                                | (359,097)   | (359,097)                | (335,703)           |                     |                   |
| Interest on long-term debt                  | 392,638              | -                                      | -                                  | -                                | (392,638)   | (392,638)                | (404,130)           |                     |                   |
| <b>Total governmental activities</b>        | <b>11,808,515</b>    | <b>598,747</b>                         | <b>3,577,091</b>                   | <b>167,948</b>                   | <b>(7,464,729)</b>                                | <b>(7,464,729)</b>       | <b>(7,362,940)</b>  |                     |                   |
| <b>Business-type activities:</b>            |                      |  |                                    |                                  |   |                          |                     |                     |                   |
| Lottery and games                           | 174,882              | 228,183                                | -                                  | -                                |   | \$ 53,301                | 53,301              | 55,733              |                   |
| Unemployment compensation                   | 114,633              | -                                      | 12,028                             | -                                |   | (102,605)                | (102,605)           | (104,706)           |                   |
| <b>Total business-type activities</b>       | <b>289,515</b>       | <b>228,183</b>                         | <b>12,028</b>                      | <b>-</b>                         | <b>-</b>  | <b>(49,304)</b>          | <b>(49,304)</b>     | <b>(48,973)</b>     |                   |
| <b>Total primary government</b>             | <b>\$ 12,098,030</b> | <b>\$ 826,930</b>                      | <b>\$ 3,589,119</b>                | <b>\$ 167,948</b>                | <b>(7,464,729)</b>                                | <b>(49,304)</b>          | <b>(7,514,033)</b>  | <b>(7,411,913)</b>  |                   |
| <b>Component units:</b>                     |                      |  |                                    |                                  |   |                          |                     |                     |                   |
| Health benefit exchange                     | \$ 33,106            | \$ -                                   | \$ 31,191                          | \$ -                             |   |                          |                     |                     | \$ (1,915)        |
| Convention center                           | 131,334              | 30,430                                 | -                                  | -                                |   |                          |                     |                     | (100,904)         |
| Not-for-profit hospital corporation         | 125,589              | 118,622                                | 1,300                              | 20,113                           |   |                          |                     |                     | 14,446            |
| Housing finance                             | 63,113               | 37,591                                 | -                                  | -                                |   |                          |                     |                     | (25,522)          |
| University                                  | 149,668              | 34,230                                 | 26,151                             | 15,357                           |   |                          |                     |                     | (73,930)          |
| <b>Total component units</b>                | <b>\$ 502,810</b>    | <b>\$ 220,873</b>                      | <b>\$ 58,642</b>                   | <b>\$ 35,470</b>                 |   |                          |                     |                     | <b>(187,825)</b>  |
| <b>General revenues:</b>                    |                      |  |                                    |                                  |   |                          |                     |                     |                   |
| Taxes:                                      |                      |  |                                    |                                  |   |                          |                     |                     |                   |
| Property taxes                              |                      |  |                                    |                                  | 2,504,617   | -                        | 2,504,617           | 2,315,693           | -                 |
| Sales and use taxes                         |                      |  |                                    |                                  | 1,451,441   | -                        | 1,451,441           | 1,425,525           | -                 |
| Income and franchise taxes                  |                      |  |                                    |                                  | 2,417,206   | -                        | 2,417,206           | 2,316,727           | -                 |
| Gross receipts taxes                        |                      |  |                                    |                                  | 365,305   | -                        | 365,305             | 361,293             | -                 |
| Other taxes                                 |                      |  |                                    |                                  | 498,161   | 145,887                  | 644,048             | 677,755             | -                 |
| Investment earnings                         |                      |  |                                    |                                  | 11,601  | 8,532                    | 20,133              | 13,521              | 8,744             |
| Miscellaneous                               |                      |  |                                    |                                  | 510,330   | -                        | 510,330             | 406,914             | 98,178            |
| Subsidy from primary government             |                      |  |                                    |                                  | -   | -                        | -                   | -                   | 205,493           |
| Transfer in (out)                           |                      |  |                                    |                                  | 53,287  | (53,287)                 | -                   | -                   | -                 |
| <b>Total general revenues and transfers</b> |                      |  |                                    |                                  | <b>7,811,948</b>                                  | <b>101,132</b>           | <b>7,913,080</b>    | <b>7,517,428</b>    | <b>312,415</b>    |
| <b>Change in net position</b>               |                      |  |                                    |                                  | <b>347,219</b>                                    | <b>51,828</b>            | <b>399,047</b>      | <b>105,515</b>      | <b>124,590</b>    |
| Net position at October 1, as restated      |                      |  |                                    |                                  | <b>4,099,448</b>                                  | <b>316,923</b>           | <b>4,416,371</b>    | <b>4,310,856</b>    | <b>793,750</b>    |
| Net position at September 30                |                      |  |                                    |                                  | <b>\$ 4,446,667</b>                               | <b>\$ 368,751</b>        | <b>\$ 4,815,418</b> | <b>\$ 4,416,371</b> | <b>\$ 918,340</b> |

The accompanying notes are an integral part of this statement.

## Exhibit 2-a

**District of Columbia  
Balance Sheet  
Governmental Funds  
September 30, 2016  
(With Comparative Totals at September 30, 2015)  
(\$000s)**

|  | General             | Federal &<br>Private<br>Resources | Housing<br>Production<br>Trust | General Capital<br>Improvements | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental Funds |                     |
|--|---------------------|-----------------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------|---------------------|
|  |                     |                                   |                                |                                 |                                   | 2016                        | 2015                |
| <b>ASSETS</b>  |                     |                                   |                                |                                 |                                   |                             |                     |
| Cash and cash equivalents  | \$ 1,493,011        | \$ -                              | \$ -                           | \$ -                            | \$ -                              | \$ 1,493,011                | \$ 1,729,830        |
| Due from federal government  | 7,143               | 398,579                           | -                              | 53,308                          | -                                 | 459,030                     | 555,039             |
| Taxes receivable, net  | 376,562             | -                                 | -                              | -                               | 3,845                             | 380,407                     | 324,997             |
| Accounts receivable, net   | 205,200             | 8,473                             | 258                            | -                               | 37,671                            | 251,602                     | 186,547             |
| Due from component units   | 24,596              | -                                 | -                              | -                               | 1,197                             | 25,793                      | 17,502              |
| Due from other funds   | 348,942             | 21,666                            | 5,581                          | -                               | 7,785                             | 383,974                     | 315,736             |
| Inventories  | 11,631              | 2                                 | -                              | -                               | -                                 | 11,633                      | 16,486              |
| Other current assets   | 3,154               | 1,107                             | -                              | -                               | 20                                | 4,281                       | 3,474               |
| Cash and cash equivalents (restricted)                                   | 885,217             | 115,880                           | 242,326                        | 25,387                          | 300,228                           | 1,569,038                   | 1,711,930           |
| Investments (restricted)   | 109,730             | -                                 | 2,147                          | -                               | 11,155                            | 123,032                     | 92,182              |
| Other long-term assets   | 104,852             | 100,038                           | 54,872                         | 10,676                          | -                                 | 270,438                     | 264,067             |
| <b>Total assets</b>  | <b>\$ 3,570,038</b> | <b>\$ 645,745</b>                 | <b>\$ 305,184</b>              | <b>\$ 89,371</b>                | <b>\$ 361,901</b>                 | <b>\$ 4,972,239</b>         | <b>\$ 5,217,790</b> |
| <b>LIABILITIES</b>   |                     |                                   |                                |                                 |                                   |                             |                     |
| Accounts payable   | \$ 445,782          | \$ 116,252                        | \$ -                           | \$ 165,931                      | \$ 2,182                          | \$ 730,147                  | \$ 749,584          |
| Compensation payable   | 124,628             | 9,959                             | -                              | 1,445                           | 74                                | 136,106                     | 204,680             |
| Due to other funds   | 21,725              | 195,398                           | -                              | 131,543                         | 11,815                            | 360,481                     | 289,174             |
| Due to component units   | 16,874              | 1,026                             | -                              | 1,464                           | 744                               | 20,108                      | 37,419              |
| Unearned revenue   | 61,587              | 100,476                           | 54,873                         | 10,175                          | -                                 | 227,111                     | 223,239             |
| Accrued liabilities  | 220,100             | 62,492                            | -                              | -                               | 167                               | 282,759                     | 461,332             |
| Other current liabilities  | 55,021              | -                                 | -                              | 7,183                           | 1,795                             | 63,999                      | 58,614              |
| <b>Total liabilities</b>   | <b>945,717</b>      | <b>485,603</b>                    | <b>54,873</b>                  | <b>317,741</b>                  | <b>16,777</b>                     | <b>1,820,711</b>            | <b>2,024,042</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                     |                                   |                                |                                 |                                   |                             |                     |
| Unavailable revenues   | 235,232             | -                                 | -                              | 500                             | 1,546                             | 237,278                     | 201,062             |
| <b>FUND BALANCE</b>  |                     |                                   |                                |                                 |                                   |                             |                     |
| Nonspendable   | 11,631              | 2                                 | -                              | -                               | -                                 | 11,633                      | 16,486              |
| Restricted   | 1,030,895           | 160,140                           | 250,311                        | -                               | 343,578                           | 1,784,924                   | 1,848,268           |
| Committed  | 1,325,895           | -                                 | -                              | -                               | -                                 | 1,325,895                   | 1,047,105           |
| Assigned   | 20,668              | -                                 | -                              | -                               | -                                 | 20,668                      | 80,827              |
| Unassigned   | -                   | -                                 | -                              | (228,870)                       | -                                 | (228,870)                   | -                   |
| <b>Total fund balances</b>   | <b>2,389,089</b>    | <b>160,142</b>                    | <b>250,311</b>                 | <b>(228,870)</b>                | <b>343,578</b>                    | <b>2,914,250</b>            | <b>2,992,686</b>    |
| <b>Total liabilities, deferred inflow of resources and fund balances</b> | <b>\$ 3,570,038</b> | <b>\$ 645,745</b>                 | <b>\$ 305,184</b>              | <b>\$ 89,371</b>                | <b>\$ 361,901</b>                 |                             | <b>\$ 5,217,790</b> |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 12,431,889

Certain long-term assets are not available to pay current period expenditures and are therefore not recognized as revenues in the funds:

|   |           |
|---|-----------|
| Unavailable Tax revenue (Exhibit A-1)                             | \$ 93,083 |
| Other General Fund unavailable revenues (Exhibit A-1)             | 142,149   |
| Unavailable revenues - General Capital Improvements (Exhibit 2-a) | 500       |
| Unavailable revenues - Nonmajor Funds (Exhibit 2-a)               | 1,546     |

237,278

|   |           |
|---|-----------|
| Deferred inflow of resources - Capital lease gain (Exhibit 1-a) | (31,735)  |
| Deferred inflow of resources - pension (Exhibit 1-a)            | (228,581) |
| Deferred outflow of resources - pension (Exhibit 1-a)           | 401,591   |
| Net pension asset (Exhibit 1-a)                                 | 279,069   |
| Retainage liability not to be paid with current resources       | (30,401)  |
| Advanced refunding loss (Exhibit 1-a)                           | 5,747     |
| Derivative instrument asset (Exhibit 1-a)                       | 513       |

Certain liabilities are not due and payable in the current period:

|   |              |
|---|--------------|
| General obligation bonds (Note 8, Table N27)    | \$ 3,829,305 |
| Income tax revenue bonds (Note 8, Table N27)    | 4,240,155    |
| Tobacco settlement bonds (Note 8, Table N27)    | 600,974      |
| TIF bonds (Note 8, Table N27)                   | 96,822       |
| Net pension liabilities (Exhibit 1-a)           | 242,189      |
| Ballpark bonds (Note 8, Table N27)              | 371,305      |
| QZAB (Note 8, Table N27)                        | 3,845        |
| Accrued interest payable (Exhibit 1-a)          | 147,329      |
| Capital leases (Note 8, Table N27)              | 1,837        |
| Other long-term liabilities (Note 8, Table N27) | 1,999,192    |

(11,532,953)

Net position of governmental activities

\$ 4,446,667

The accompanying notes are an integral part of this statement.

Exhibit 2-b

**District of Columbia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**

|  | (\$000s)            |                             |                          |                              |                             | Total                   |                     |
|--|---------------------|-----------------------------|--------------------------|------------------------------|-----------------------------|-------------------------|---------------------|
|  | General             | Federal & Private Resources | Housing Production Trust | General Capital Improvements | Nonmajor Governmental Funds | Governmental Funds 2016 | 2015                |
| <b>REVENUES</b>  |                     |                             |                          |                              |                             |                         |                     |
| Taxes:   |                     |                             |                          |                              |                             |                         |                     |
| Property taxes   | \$ 2,470,004        | \$ -                        | \$ -                     | \$ -                         | \$ 33,887                   | \$ 2,503,891            | \$ 2,356,327        |
| Sales and use taxes  | 1,401,058           | -                           | -                        | -                            | 50,383                      | 1,451,441               | 1,425,525           |
| Income and franchise taxes                                       | 2,464,330           | -                           | -                        | -                            | -                           | 2,464,330               | 2,316,727           |
| Gross receipts taxes   | 322,150             | -                           | -                        | -                            | 43,155                      | 365,305                 | 361,293             |
| Other taxes  | 442,283             | -                           | 55,878                   | -                            | -                           | 498,161                 | 528,866             |
| Fines and forfeitures  | 202,314             | -                           | -                        | -                            | -                           | 202,314                 | 129,283             |
| Licenses and permits   | 123,029             | -                           | -                        | -                            | -                           | 123,029                 | 119,658             |
| Charges for services   | 269,998             | 3,406                       | -                        | -                            | -                           | 273,404                 | 290,020             |
| Investment earnings  | 7,732               | 897                         | 84                       | 33                           | 2,855                       | 11,601                  | 5,855               |
| Miscellaneous  | 370,958             | 26,555                      | 5,577                    | 7,968                        | 46,105                      | 457,163                 | 414,500             |
| Federal contributions  | -                   | 521,828                     | -                        | -                            | -                           | 521,828                 | 554,342             |
| Operating grants   | -                   | 3,055,263                   | -                        | 167,948                      | -                           | 3,223,211               | 3,135,295           |
| <b>Total revenues</b>  | <b>8,073,856</b>    | <b>3,607,949</b>            | <b>61,539</b>            | <b>175,949</b>               | <b>176,385</b>              | <b>12,095,678</b>       | <b>11,637,691</b>   |
| <b>EXPENDITURES</b>  |                     |                             |                          |                              |                             |                         |                     |
| Current:   |                     |                             |                          |                              |                             |                         |                     |
| Governmental direction and support                               | 957,151             | 40,297                      | -                        | -                            | 70,805                      | 1,068,253               | 1,027,473           |
| Economic development and regulation                              | 404,313             | 69,149                      | 86,903                   | -                            | -                           | 560,365                 | 448,244             |
| Public safety and justice  | 1,227,558           | 444,246                     | -                        | -                            | -                           | 1,671,804               | 1,521,196           |
| Public education system  | 1,947,968           | 361,810                     | -                        | -                            | -                           | 2,309,778               | 2,246,209           |
| Human support services   | 1,860,387           | 2,654,260                   | -                        | -                            | -                           | 4,514,647               | 4,438,448           |
| Public works   | 339,856             | 25,581                      | -                        | -                            | -                           | 365,437                 | 354,686             |
| Public transportation  | 359,097             | -                           | -                        | -                            | -                           | 359,097                 | 335,703             |
| Debt service:  |                     |                             |                          |                              |                             |                         |                     |
| Principal  | 228,793             | -                           | -                        | 6,975                        | 125,607                     | 361,375                 | 301,001             |
| Interest   | 362,860             | 18,361                      | -                        | 4,795                        | 63,331                      | 449,347                 | 421,549             |
| Fiscal charges   | 3,588               | -                           | -                        | -                            | 144                         | 3,732                   | 8,311               |
| Capital outlay   | -                   | -                           | -                        | 1,083,694                    | 23,545                      | 1,107,239               | 1,196,394           |
| <b>Total expenditures</b>  | <b>7,691,571</b>    | <b>3,613,704</b>            | <b>86,903</b>            | <b>1,095,464</b>             | <b>283,432</b>              | <b>12,771,074</b>       | <b>12,299,214</b>   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>382,285</b>      | <b>(5,755)</b>              | <b>(25,364)</b>          | <b>(919,515)</b>             | <b>(107,047)</b>            | <b>(675,396)</b>        | <b>(661,523)</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                     |                             |                          |                              |                             |                         |                     |
| Debt issuance  | 2,600               | -                           | -                        | 429,215                      | -                           | 431,815                 | 1,034,252           |
| Refunding debt issuance  | 95,575              | -                           | -                        | -                            | -                           | 95,575                  | 231,255             |
| Premium on sale of bonds   | -                   | -                           | -                        | 84,235                       | -                           | 84,235                  | 155,540             |
| Payment to refunded bond escrow agent                            | (95,120)            | -                           | -                        | -                            | -                           | (95,120)                | (256,765)           |
| Equipment finance program  | -                   | -                           | -                        | 11,368                       | -                           | 11,368                  | 25,590              |
| Transfers in   | 80,503              | -                           | 90,179                   | 144,104                      | 145,676                     | 460,462                 | 358,736             |
| Transfers out  | (259,616)           | (1,318)                     | -                        | (14,082)                     | (132,159)                   | (407,175)               | (303,150)           |
| Sale of capital assets   | 15,800              | -                           | -                        | -                            | -                           | 15,800                  | -                   |
| <b>Total other financing sources (uses)</b>                      | <b>(160,258)</b>    | <b>(1,318)</b>              | <b>90,179</b>            | <b>654,840</b>               | <b>13,517</b>               | <b>596,960</b>          | <b>1,245,458</b>    |
| <b>Net change in fund balances</b>                               | <b>222,027</b>      | <b>(7,073)</b>              | <b>64,815</b>            | <b>(264,675)</b>             | <b>(93,530)</b>             | <b>(78,436)</b>         | <b>583,935</b>      |
| Fund balances at October 1                                       | 2,167,062           | 167,215                     | 185,496                  | 35,805                       | 437,108                     | 2,992,686               | 2,408,751           |
| Fund balances at September 30                                    | <b>\$ 2,389,089</b> | <b>\$ 160,142</b>           | <b>\$ 250,311</b>        | <b>\$ (228,870)</b>          | <b>\$ 343,578</b>           | <b>\$ 2,914,250</b>     | <b>\$ 2,992,686</b> |

The accompanying notes are an integral part of this statement.

## Exhibit 2-c

**District of Columbia**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2016**  
**(\$000s)**

Net change in fund balances - total governmental funds \$ (78,436)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays that are capitalized exceeded depreciation expense in the current period.

|  |            |         |
|--|------------|---------|
| Capital outlay capitalized (Note 5, Table N15) | \$ 894,154 |         |
| Depreciation expense (Note 5, Table N15)       | (413,125)  |         |
| Capital asset additions (Note 5, Table N15)    | 42,806     |         |
| Transfers/Dispositions (Note 5, Table N15)     | (8,970)    |         |
|  |            | 514,865 |

Deferred inflows of resources, including property tax revenues which were earned but were not available for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements.

|  |           |        |
|--|-----------|--------|
| Current year deferred inflows of resources reported in Exhibit 2-a | 237,278   |        |
| Prior year deferred inflows of resources                           | (201,062) |        |
|  |           | 36,216 |

Proceeds from long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which long-term liabilities additions exceeded reductions. (Note 8, Table N44)

|                                  |           |          |
|----------------------------------|-----------|----------|
| Long-term liabilities additions  | (830,416) |          |
| Long-term liabilities reductions | 817,882   |          |
|                                  |           | (12,534) |

Pension expense reported in statement of activities was adjusted to reflect the difference between the actuarial assumptions and actual performance of the District retirement funds.

|  |           |           |
|--|-----------|-----------|
| Increase in net pension liabilities - Teachers (Note 9, Table N53)                             | 37,984    |           |
| Decrease in net pension assets - Police & Firefighters (Note 9, Table N53)                     | 200,484   |           |
| Change in deferred outflows of resources - Teachers (Change in Note 9, Table N55)              | (35,224)  |           |
| Change in deferred outflows of resources - Police & Firefighters (Change in Note 9, Table N55) | (96,608)  |           |
| Change in deferred inflows of resources - Teachers (Change in Note 9, Table N55)               | (33,348)  |           |
| Change in deferred inflows of resources - Police & Firefighters (Change in Note 9, Table N55)  | (186,023) |           |
|  |           | (112,735) |

Other adjustments include:

|  |         |      |
|--|---------|------|
| Advance refunding loss amortization                | (628)   |      |
| Realized capital lease gain                        | 1,977   |      |
| Increase in long-term accrued interest liabilities | (4,877) |      |
| Decrease in retainage payables                     | 3,470   |      |
| Other  | (7)     |      |
|  |         | (65) |

Investment income from investment derivative instruments

|   |      |            |
|---|------|------------|
|   | (92) |            |
| Change in net position of governmental activities |      | \$ 347,219 |

The accompanying notes are an integral part of this statement.



Exhibit 2-d

District of Columbia  
Budgetary Comparison Statement  
For the Year Ended September 30, 2016  
(\$000s)

|  | General Fund |              |              |            | Federal and Private Resources |           |           |          | Totals       |              |              |            |
|--|--------------|--------------|--------------|------------|-------------------------------|-----------|-----------|----------|--------------|--------------|--------------|------------|
|  | Budget       |              | Actual       | Variance   | Budget                        |           | Actual    | Variance | Budget       |              | Actual       | Variance   |
|  | Original     | Revised      |              |            | Original                      | Revised   |           |          | Original     | Revised      |              |            |
| <b>Revenues and Sources:</b>   |              |              |              |            |                               |           |           |          |              |              |              |            |
| Taxes:   |              |              |              |            |                               |           |           |          |              |              |              |            |
| Property taxes   | \$ 2,363,018 | \$ 2,406,376 | \$ 2,423,103 | \$ 16,727  | \$ -                          | \$ -      | \$ -      | \$ -     | \$ 2,363,018 | \$ 2,406,376 | \$ 2,423,103 | \$ 16,727  |
| Sales and use taxes  | 1,370,105    | 1,353,065    | 1,400,462    | 47,397     | -                             | -         | -         | -        | 1,370,105    | 1,353,065    | 1,400,462    | 47,397     |
| Income and franchise taxes   | 2,307,388    | 2,281,628    | 2,464,330    | 182,702    | -                             | -         | -         | -        | 2,307,388    | 2,281,628    | 2,464,330    | 182,702    |
| Gross receipts and other taxes   | 716,083      | 677,433      | 762,389      | 84,956     | -                             | -         | -         | -        | 716,083      | 677,433      | 762,389      | 84,956     |
| Total taxes  | 6,756,594    | 6,718,502    | 7,050,284    | 331,782    | -                             | -         | -         | -        | 6,756,594    | 6,718,502    | 7,050,284    | 331,782    |
| Licenses and permits   | 77,667       | 85,960       | 90,432       | 4,472      | -                             | -         | -         | -        | 77,667       | 85,960       | 90,432       | 4,472      |
| Fines and forfeitures  | 136,616      | 151,536      | 197,439      | 45,903     | -                             | -         | -         | -        | 136,616      | 151,536      | 197,439      | 45,903     |
| Charges for services   | 75,429       | 78,365       | 80,251       | 1,886      | -                             | -         | -         | -        | 75,429       | 78,365       | 80,251       | 1,886      |
| Miscellaneous  | 95,375       | 106,221      | 140,886      | 34,665     | -                             | -         | -         | -        | 95,375       | 106,221      | 140,886      | 34,665     |
| Other sources  | 587,345      | 463,547      | 533,557      | 70,010     | -                             | -         | -         | -        | 587,345      | 463,547      | 533,557      | 70,010     |
| Bond proceeds  | 6,000        | 6,000        | 2,600        | (3,400)    | -                             | -         | -         | -        | 6,000        | 6,000        | 2,600        | (3,400)    |
| Federal contributions  | -            | -            | -            | -          | 95,900                        | 84,406    | 60,900    | (23,506) | 95,900       | 84,406       | 60,900       | (23,506)   |
| Operating grants   | -            | -            | -            | -          | 3,159,158                     | 3,024,983 | 2,957,956 | (67,027) | 3,159,158    | 3,024,983    | 2,957,956    | (67,027)   |
| Fund balance released from restrictions  | 121,079      | 402,830      | 63,812       | (339,018)  | -                             | 2,863     | 2,863     | -        | 121,079      | 405,693      | 66,675       | (339,018)  |
| Interfund transfer-from lottery and games  | 62,500       | 55,000       | 53,287       | (1,713)    | -                             | -         | -         | -        | 62,500       | 55,000       | 53,287       | (1,713)    |
| Interfund transfer-others  | 66,410       | 80,492       | 27,216       | (53,276)   | -                             | -         | -         | -        | 66,410       | 80,492       | 27,216       | (53,276)   |
| Total revenues and other sources   | 7,985,015    | 8,148,453    | 8,239,764    | 91,311     | 3,255,058                     | 3,112,252 | 3,021,719 | (90,533) | 11,240,073   | 11,260,705   | 11,261,483   | 778        |
| <b>Expenditures and Other Uses:</b>  |              |              |              |            |                               |           |           |          |              |              |              |            |
| Governmental direction and support   | 756,798      | 775,065      | 761,189      | 13,876     | 29,666                        | 28,917    | 27,035    | 1,882    | 786,464      | 803,982      | 788,224      | 15,758     |
| Economic development and regulation  | 440,032      | 493,807      | 470,338      | 23,469     | 100,718                       | 77,552    | 69,840    | 7,712    | 540,750      | 571,359      | 540,178      | 31,181     |
| Public safety and justice  | 1,158,185    | 1,231,093    | 1,227,294    | 3,799      | 150,404                       | 83,044    | 80,112    | 2,932    | 1,308,589    | 1,314,137    | 1,307,406    | 6,731      |
| Public education system  | 1,908,453    | 1,684,623    | 1,668,885    | 15,738     | 319,839                       | 314,268   | 261,867   | 52,401   | 2,228,292    | 1,998,891    | 1,930,752    | 68,139     |
| Public education AY17 expenditure  | -            | 264,257      | 264,257      | -          | -                             | -         | -         | -        | -            | 264,257      | 264,257      | -          |
| Human support services   | 1,913,748    | 1,877,617    | 1,855,731    | 21,886     | 2,588,645                     | 2,533,203 | 2,522,614 | 10,589   | 4,502,393    | 4,410,820    | 4,378,345    | 32,475     |
| Public works   | 735,893      | 710,223      | 698,217      | 12,006     | 34,524                        | 27,678    | 25,612    | 2,066    | 770,417      | 737,901      | 723,829      | 14,072     |
| Workforce investments  | 17,815       | -            | -            | -          | -                             | -         | -         | -        | 17,815       | -            | -            | -          |
| Wilson building  | 4,745        | 4,503        | 4,289        | 214        | -                             | -         | -         | -        | 4,745        | 4,503        | 4,289        | 214        |
| Repayment of loans and interest  | 596,741      | 560,211      | 560,211      | -          | 18,262                        | 18,361    | 18,361    | -        | 615,003      | 578,572      | 578,572      | -          |
| Repayment of revenue bonds   | 7,832        | 7,822        | 7,822        | -          | -                             | -         | -         | -        | 7,832        | 7,822        | 7,822        | -          |
| Debt service - issuance costs  | 6,000        | 6,000        | 2,945        | 3,055      | -                             | -         | -         | -        | 6,000        | 6,000        | 2,945        | 3,055      |
| Interest expense on short-term borrowing   | 3,750        | 922          | 922          | -          | -                             | -         | -         | -        | 3,750        | 922          | 922          | -          |
| Settlements and judgments fund   | 21,292       | 33,292       | 32,953       | 339        | -                             | -         | -         | -        | 21,292       | 33,292       | 32,953       | 339        |
| Convention center transfer   | 125,054      | 132,304      | 131,916      | 388        | -                             | -         | -         | -        | 125,054      | 132,304      | 131,916      | 388        |
| Highway transportation fund  | 22,504       | 25,332       | 25,332       | -          | -                             | -         | -         | -        | 22,504       | 25,332       | 25,332       | -          |
| Emergency planning and security fund   | -            | -            | -            | -          | 13,000                        | 29,229    | 14,281    | 14,948   | 13,000       | 29,229       | 14,281       | 14,948     |
| Operating lease-equipment  | 48,413       | 38,914       | 38,914       | -          | -                             | -         | -         | -        | 48,413       | 38,914       | 38,914       | -          |
| Pay-as-you-go capital fund   | 72,466       | 144,105      | 144,105      | -          | -                             | -         | -         | -        | 72,466       | 144,105      | 144,105      | -          |
| Schools modernization fund   | 14,276       | 14,276       | 14,276       | -          | -                             | -         | -         | -        | 14,276       | 14,276       | 14,276       | -          |
| D.C. retiree health contribution   | 95,400       | 29,000       | 29,000       | -          | -                             | -         | -         | -        | 95,400       | 29,000       | 29,000       | -          |
| Non-departmental   | 21,286       | 11,003       | -            | 11,003     | -                             | -         | -         | -        | 21,286       | 11,003       | -            | 11,003     |
| Total expenditures and other uses  | 7,970,683    | 8,044,369    | 7,938,596    | 105,773    | 3,255,058                     | 3,112,252 | 3,019,722 | 92,530   | 11,225,741   | 11,156,621   | 10,958,318   | 198,303    |
| <b>EXCESS OF REVENUES AND OTHER SOURCES<br/>OVER EXPENDITURES AND OTHER USES -<br/>BUDGETARY BASIS</b> | \$ 14,332    | \$ 104,084   | \$ 301,168   | \$ 197,084 | \$ -                          | \$ -      | \$ 1,997  | \$ 1,997 | \$ 14,332    | \$ 104,084   | \$ 303,165   | \$ 199,081 |

The accompanying notes are an integral part of this statement.

## Exhibit 3-a

**District of Columbia**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**  
**(\$000s)**

|   |                          |                                  | <b>Totals</b>     |                   |
|---|--------------------------|----------------------------------|-------------------|-------------------|
|   | <b>Lottery and Games</b> | <b>Unemployment Compensation</b> | <b>2016</b>       | <b>2015</b>       |
| <b>ASSETS</b>                                   |                          |                                  |                   |                   |
| Current assets:                                 |                          |                                  |                   |                   |
| Cash and cash equivalents                       | \$ 12,375                | \$ -                             | \$ 12,375         | \$ 10,289         |
| Due from federal government                     | -                        | 600                              | 600               | 795               |
| Accounts receivable, net                        | 3,770                    | 9,907                            | 13,677            | 15,710            |
| Due from other funds                            | -                        | 419                              | 419               | 536               |
| Other current assets                            | 4                        | -                                | 4                 | 2                 |
| Cash and cash equivalents (restricted)          | -                        | 406,596                          | 406,596           | 357,903           |
| Total current assets                            | 16,149                   | 417,522                          | 433,671           | 385,235           |
| Noncurrent assets:                              |                          |                                  |                   |                   |
| Investments (restricted)                        | 2,336                    | -                                | 2,336             | 3,422             |
| Capital assets, net                             | 330                      | -                                | 330               | 169               |
| Total noncurrent assets                         | 2,666                    | -                                | 2,666             | 3,591             |
| <b>Total assets</b>                             | <b>18,815</b>            | <b>417,522</b>                   | <b>436,337</b>    | <b>388,826</b>    |
| <b>LIABILITIES</b>                              |                          |                                  |                   |                   |
| Current liabilities:                            |                          |                                  |                   |                   |
| Accounts payable                                | 2,114                    | 31,390                           | 33,504            | 34,110            |
| Accrued compensated absences                    | 241                      | -                                | 241               | 1,145             |
| Due to other funds                              | -                        | 21,895                           | 21,895            | 25,503            |
| Unearned revenues                               | 81                       | -                                | 81                | 34                |
| Accrued liabilities                             | 9,086                    | -                                | 9,086             | 7,250             |
| Long-term liabilities due within one year       | 807                      | -                                | 807               | 1,160             |
| Total current liabilities                       | 12,329                   | 53,285                           | 65,614            | 69,202            |
| Noncurrent liabilities:                         |                          |                                  |                   |                   |
| Long-term liabilities due in more than one year | 1,972                    | -                                | 1,972             | 2,701             |
| Total noncurrent liabilities                    | 1,972                    | -                                | 1,972             | 2,701             |
| <b>Total liabilities</b>                        | <b>14,301</b>            | <b>53,285</b>                    | <b>67,586</b>     | <b>71,903</b>     |
| <b>NET POSITION</b>                             |                          |                                  |                   |                   |
| Net investment in capital assets                | 330                      | -                                | 330               | 169               |
| Restricted - expendable                         | -                        | 364,237                          | 364,237           | 312,483           |
| Unrestricted                                    | 4,184                    | -                                | 4,184             | 4,271             |
| <b>Total net position</b>                       | <b>\$ 4,514</b>          | <b>\$ 364,237</b>                | <b>\$ 368,751</b> | <b>\$ 316,923</b> |

The accompanying notes are an integral part of this statement.

Exhibit 3-b

District of Columbia  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended September 30, 2016  
(With Comparative Totals for the Year Ended September 30, 2015)  
(\$000s)

|                                     | Lottery and Games | Unemployment Compensation | Totals     |            |
|-------------------------------------|-------------------|---------------------------|------------|------------|
|                                     |                   |                           | 2016       | 2015       |
| <b>Operating revenues:</b>          |                   |                           |            |            |
| Employer taxes                      | \$ -              | \$ 145,887                | \$ 145,887 | \$ 148,889 |
| Charges for services                | 228,183           | -                         | 228,183    | 212,495    |
| Benefit contributions               | -                 | 12,028                    | 12,028     | 14,561     |
| <b>Total operating revenues</b>     | 228,183           | 157,915                   | 386,098    | 375,945    |
| <b>Operating expenses:</b>          |                   |                           |            |            |
| Benefits                            | -                 | 114,633                   | 114,633    | 119,267    |
| Prizes and other expenses           | 141,310           | -                         | 141,310    | 125,296    |
| Personnel services                  | 7,249             | -                         | 7,249      | 7,009      |
| Contractual services                | 26,234            | -                         | 26,234     | 24,323     |
| Depreciation                        | 89                | -                         | 89         | 134        |
| <b>Total operating expenses</b>     | 174,882           | 114,633                   | 289,515    | 276,029    |
| <b>Operating income</b>             | 53,301            | 43,282                    | 96,583     | 99,916     |
| <b>Nonoperating revenues:</b>       |                   |                           |            |            |
| Interest and investment             | 60                | 8,472                     | 8,532      | 7,666      |
| <b>Total nonoperating revenues</b>  | 60                | 8,472                     | 8,532      | 7,666      |
| <b>Income before transfers</b>      | 53,361            | 51,754                    | 105,115    | 107,582    |
| Transfer out                        | (53,287)          | -                         | (53,287)   | (55,586)   |
| <b>Change in net position</b>       | 74                | 51,754                    | 51,828     | 51,996     |
| <b>Net position at October 1</b>    | 4,440             | 312,483                   | 316,923    | 264,927    |
| <b>Net position at September 30</b> | \$ 4,514          | \$ 364,237                | \$ 368,751 | \$ 316,923 |

The accompanying notes are an integral part of this statement.

## Exhibit 3-c

**District of Columbia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**  
**(\$000s)**

|   |                          |                                  | <b>Totals</b>     |                   |
|---|--------------------------|----------------------------------|-------------------|-------------------|
|   | <b>Lottery and Games</b> | <b>Unemployment Compensation</b> | <b>2016</b>       | <b>2015</b>       |
| <b>Cash flows from operating activities:</b>  |                          |                                  |                   |                   |
| Cash receipts from customers/employers  | \$ 229,730               | \$ 158,680                       | \$ 388,410        | \$ 376,092        |
| Other cash receipts   | 80                       | -                                | 80                | 98                |
| Cash payments to vendors  | (20,803)                 | -                                | (20,803)          | (19,914)          |
| Cash payments to employees  | (7,207)                  | (2,173)                          | (9,380)           | (14,856)          |
| Cash payments to claimants  | -                        | (116,286)                        | (116,286)         | (123,359)         |
| Other cash payments, including prizes   | (146,237)                | -                                | (146,237)         | (128,406)         |
| Net cash provided by operating activities   | 55,563                   | 40,221                           | 95,784            | 89,655            |
| <b>Cash flows from noncapital financing activities:</b>                                 |                          |                                  |                   |                   |
| Interfund transfers out   | (53,287)                 | -                                | (53,287)          | (55,586)          |
| Net cash used in noncapital financing activities  | (53,287)                 | -                                | (53,287)          | (55,586)          |
| <b>Cash flows from capital and related financing activities:</b>                        |                          |                                  |                   |                   |
| Acquisition of capital assets   | (250)                    | -                                | (250)             | (33)              |
| Net cash used in capital and related financing activities                               | (250)                    | -                                | (250)             | (33)              |
| <b>Cash flows from investing activities:</b>  |                          |                                  |                   |                   |
| Receipts of interest and dividends  | 60                       | 8,472                            | 8,532             | 7,666             |
| Net cash provided by investing activities   | 60                       | 8,472                            | 8,532             | 7,666             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>2,086</b>             | <b>48,693</b>                    | <b>50,779</b>     | <b>41,702</b>     |
| <b>Cash and cash equivalents at October 1</b>   | <b>10,289</b>            | <b>357,903</b>                   | <b>368,192</b>    | <b>326,490</b>    |
| <b>Cash and cash equivalents at September 30</b>  | <b>\$ 12,375</b>         | <b>\$ 406,596</b>                | <b>\$ 418,971</b> | <b>\$ 368,192</b> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                          |                                  |                   |                   |
| Operating income  | \$ 53,301                | \$ 43,282                        | \$ 96,583         | \$ 99,916         |
| Depreciation  | 89                       | -                                | 89                | 134               |
| Decrease (increase) in assets:  |                          |                                  |                   |                   |
| Accounts receivable   | 1,580                    | 570                              | 2,150             | 266               |
| Other current assets  | (2)                      | 195                              | 193               | 61                |
| Increase (decrease) in liabilities:   |                          |                                  |                   |                   |
| Accounts payable  | (388)                    | (3,826)                          | (4,214)           | (11,534)          |
| Accrued liabilities   | 767                      | -                                | 767               | 651               |
| Unearned revenues   | 47                       | -                                | 47                | (32)              |
| Other current liabilities   | 169                      | -                                | 169               | 193               |
| <b>Net cash provided by operating activities:</b>                                       | <b>\$ 55,563</b>         | <b>\$ 40,221</b>                 | <b>\$ 95,784</b>  | <b>\$ 89,655</b>  |

The accompanying notes are an integral part of this statement.



Exhibit 4-a

District of Columbia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2016  
(\$000s)

|   | Pension/OPEB Trust<br>Funds | Private Purpose<br>Trust Fund | Agency Funds |
|---|-----------------------------|-------------------------------|--------------|
| <b>ASSETS</b>   |                             |                               |              |
| Cash and cash equivalents (restricted)                      | \$ 88,512                   | \$ 1                          | \$ 61,225    |
| Investments (restricted):                                   |                             |                               |              |
| Equities  | 4,732,140                   | 308,852                       | -            |
| Fixed income securities                                     | 2,255,957                   | 150,465                       | -            |
| Real estate   | 479,380                     | -                             | -            |
| Private equity  | 393,368                     | -                             | -            |
| Commodities   | 41,679                      | -                             | -            |
| Accounts receivable   | -                           | 180                           | -            |
| Due from federal government                                 | 2,884                       | -                             | 20,612       |
| Benefit contributions receivable                            | 4,855                       | -                             | -            |
| Other receivables   | -                           | -                             | 7,864        |
| Other current assets  | 23,397                      | -                             | -            |
| Total assets  | 8,022,172                   | 459,498                       | \$ 89,701    |
| <b>LIABILITIES</b>  |                             |                               |              |
| Accounts payable  | 36,408                      | 234                           | \$ 741       |
| Due to component units                                      | -                           | -                             | 349          |
| Due to other funds  | 1,866                       | -                             | 151          |
| Other current liabilities                                   | 9,877                       | -                             | 88,460       |
| Total liabilities   | 48,151                      | 234                           | \$ 89,701    |
| <b>NET POSITION</b>   |                             |                               |              |
| Held in trust for pension, OPEB benefits and other purposes | \$ 7,974,021                | \$ 459,264                    |              |

The accompanying notes are an integral part of this statement.

## Exhibit 4-b

District of Columbia  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2016**  
**(\$000s)**

|   | Pension/OPEB Trust<br>Funds | Private Purpose Trust<br>Fund |
|---|-----------------------------|-------------------------------|
| <b>ADDITIONS</b>                          |                             |                               |
| Contributions:                            |                             |                               |
| Employer                                  | \$ 209,584                  | \$ -                          |
| Plan members                              | 66,806                      | 64,753                        |
| Total contributions                       | 276,390                     | 64,753                        |
| Investment earnings:                      |                             |                               |
| <i>From investment activities</i>         |                             |                               |
| Net increase in fair value of investments | 605,477                     | 31,486                        |
| Other revenue                             | 3,435                       | -                             |
| Interest and dividends                    | 80,177                      | 7,593                         |
| Total investment gain                     | 689,089                     | 39,079                        |
| Less - investment expenses                | (19,874)                    | (3,783)                       |
| Net gain from investing activities        | 669,215                     | 35,296                        |
| Net investment gain                       | 669,215                     | 35,296                        |
| Other Income                              | 3,843                       | -                             |
| <b>Total additions</b>                    | 949,448                     | 100,049                       |
| <b>DEDUCTIONS</b>                         |                             |                               |
| Benefits                                  | 166,658                     | -                             |
| Administrative expenses                   | 17,956                      | 1,020                         |
| Distributions to participants             | -                           | 25,321                        |
| <b>Total deductions</b>                   | 184,614                     | 26,341                        |
| <b>Change in net position</b>             | 764,834                     | 73,708                        |
| Net position at October 1                 | 7,209,187                   | 385,556                       |
| Net position at September 30              | \$ 7,974,021                | \$ 459,264                    |

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

Exhibit 5-a

District of Columbia  
Discretely Presented Component Units  
Combining Statement of Net Position  
September 30, 2016  
(With Comparative Totals at September 30, 2015)  
(\$000s)

|                                       | Health<br>Benefit<br>Exchange<br>Authority | Washington<br>Convention<br>and Sports<br>Authority | Not-for-<br>Profit<br>Hospital<br>Corporation | Housing<br>Finance<br>Agency | University<br>of the<br>District of<br>Columbia | Totals            |                      |
|---------------------------------------|--|---|---|------------------------------|---|-------------------|----------------------|
|                                       |  |   |   |                              |   | 2016              | 2015, as<br>restated |
| <b>ASSETS</b>                         |  |   |   |                              |   |                   |                      |
| <b>Current assets:</b>                |  |   |   |                              |   |                   |                      |
| Cash and cash equivalents             | \$ 58,262                                  | \$ 10,501   | \$ 37,611                                     | \$ 51,036                    | \$ 24,261                                       | \$ 181,671        | \$ 138,346           |
| Investments                           | -  | 119,329   | -   | 3,349                        | 35,767  | 158,445           | 134,175              |
| Receivables, net:                     |  |   |   |                              |   |                   |                      |
| Accounts                              | 5,926                                      | 2,287   | 17,372  | -                            | 8,499   | 34,084            | 23,175               |
| Other                                 | 6,077                                      | 397   | -   | 6,279                        | 5,845   | 18,598            | 14,203               |
| Due from primary government           | 446  | 13,161  | -   | -                            | 6,501   | 20,108            | 37,419               |
| Due from fiduciary fund               | -  | -   | 241   | -                            | 108   | 349               | 314                  |
| Inventories                           | -  | -   | 1,717   | -                            | -   | 1,717             | 1,460                |
| Other current assets                  | -  | 357   | 2,634   | 68,090                       | 714   | 71,795            | 38,808               |
| Restricted cash                       | 11,878                                     | 8,204   | -   | 150,291                      | 6,541   | 176,914           | 177,595              |
| Restricted investments                | -  | 231,782   | -   | 117,545                      | 22,439  | 371,766           | 312,515              |
| Total current assets                  | 82,589                                     | 386,018   | 59,575  | 396,590                      | 110,675   | 1,035,447         | 878,010              |
| <b>Noncurrent assets:</b>             |  |   |   |                              |   |                   |                      |
| Loans receivable                      | -  | -   | -   | 984,210                      | -   | 984,210           | 846,923              |
| Other                                 | -  | 47,000  | 262   | 197                          | 107   | 47,566            | 48,091               |
| Total long-term assets                | -  | 47,000  | 262   | 984,407                      | 107   | 1,031,776         | 895,014              |
| <b>Capital assets, net</b>            |  |   |   |                              |   |                   |                      |
| Property and equipment                | 69,102                                     | 521,522   | 53,600  | 1,369                        | 194,848   | 840,441           | 835,981              |
| Non-depreciable capital assets        | -  | 8,370   | 14,545  | 573                          | 12,628  | 36,116            | 32,964               |
| <b>Total assets</b>                   | <b>151,691</b>                             | <b>962,910</b>                                      | <b>127,982</b>                                | <b>1,382,939</b>             | <b>318,258</b>                                  | <b>2,943,780</b>  | <b>2,641,969</b>     |
| <b>Deferred Outflows of Resources</b> |  |   |   |                              |   |                   |                      |
|                                       | -  | 14,504  | -   | 225                          | -   | 14,729            | 15,919               |
| <b>LIABILITIES</b>                    |  |   |   |                              |   |                   |                      |
| <b>Current liabilities:</b>           |  |   |   |                              |   |                   |                      |
| Payables:                             |  |   |   |                              |   |                   |                      |
| Accounts                              | 20,022                                     | 6,273   | 7,992   | 625                          | 6,737   | 41,649            | 48,545               |
| Compensation                          | -  | 1,141   | 7,483   | 193                          | 8,317   | 17,134            | 19,691               |
| Due to primary government             | 1,011                                      | 2,051   | -   | -                            | 22,731  | 25,793            | 17,502               |
| Accrued liabilities                   | 728  | 15,884  | -   | -                            | 2   | 16,614            | 16,956               |
| Unearned revenue                      | -  | 2,365   | -   | -                            | 12,442  | 14,807            | 15,705               |
| Current maturities                    | -  | 19,760  | 120   | 68,808                       | -   | 88,688            | 53,733               |
| Other current liabilities             | 253  | 8,061   | 2,789   | 136,689                      | 6,032   | 153,824           | 141,321              |
| Total current liabilities             | 22,014                                     | 55,535  | 18,384  | 206,315                      | 56,261  | 358,509           | 313,453              |
| <b>Noncurrent liabilities:</b>        |  |   |   |                              |   |                   |                      |
| Long-term debt:                       |  |   |   |                              |   |                   |                      |
| Bonds payable                         | -  | 593,439   | -   | 1,072,113                    | -   | 1,665,552         | 1,539,052            |
| Other long-term liabilities           | -  | 4,919   | 11,189  | -                            | -   | 16,108            | 11,633               |
| Total long-term liabilities           | -  | 598,358   | 11,189  | 1,072,113                    | -   | 1,681,660         | 1,550,685            |
| <b>Total liabilities</b>              | <b>22,014</b>                              | <b>653,893</b>                                      | <b>29,573</b>                                 | <b>1,278,428</b>             | <b>56,261</b>                                   | <b>2,040,169</b>  | <b>1,864,138</b>     |
| <b>NET POSITION</b>                   |  |   |   |                              |   |                   |                      |
| Net investment in capital assets      | 69,102                                     | 142,344   | 67,989  | 1,942                        | 207,034   | 488,411           | 465,278              |
| Restricted - expendable               | -  | 157,294   | 23,860  | 36,008                       | 12,194  | 229,356           | 177,972              |
| Restricted - nonexpendable            | -  | -   | -   | -                            | 15,866  | 15,866            | 15,534               |
| Unrestricted                          | 60,575                                     | 23,883  | 6,560   | 66,786                       | 26,903  | 184,707           | 134,966              |
| <b>Total net position</b>             | <b>\$ 129,677</b>                          | <b>\$ 323,521</b>                                   | <b>\$ 98,409</b>                              | <b>\$ 104,736</b>            | <b>\$ 261,997</b>                               | <b>\$ 918,340</b> | <b>\$ 793,750</b>    |

The accompanying notes are an integral part of this statement.

## Exhibit 5-b

District of Columbia  
Discretely Presented Component Units  
Combining Statement of Activities  
For the Year Ended September 30, 2016  
(With Comparative Totals for the Year Ended September 30, 2015)  
(\$000s)

|   | Health Benefit<br>Exchange<br>Authority | Washington<br>Convention and<br>Sports Authority | Not-for-Profit<br>Hospital<br>Corporation | Housing<br>Finance<br>Agency | University of<br>the District of<br>Columbia | Totals     |                      |
|---|---|--|---|------------------------------|--|------------|----------------------|
|   |   |  |   |                              |  | 2016       | 2015, as<br>restated |
| <b>Expenses</b>                               | \$ 33,106                               | \$ 131,334                                       | \$ 125,589                                | \$ 63,113                    | \$ 149,668                                   | \$ 502,810 | \$ 490,255           |
| <b>Program revenues:</b>                      |   |  |   |                              |  |            |                      |
| Charges for services, fees, fines & forfeits  | -                                       | 30,430   | 118,622                                   | 37,591                       | 34,230                                       | 220,873    | 190,885              |
| Operating grants and contributions            | 31,191                                  | -  | 1,300                                     | -                            | 26,151                                       | 58,642     | 81,355               |
| Capital grants and contributions              | -                                       | -  | 20,113                                    | -                            | 15,357                                       | 35,470     | 42,779               |
| <b>Net expense</b>                            | (1,915)                                 | (100,904)  | 14,446                                    | (25,522)                     | (73,930)                                     | (187,825)  | (175,236)            |
| <b>General revenues:</b>                      |   |  |   |                              |  |            |                      |
| Investment earnings                           | 4                                       | 970  | -   | 1,151                        | 6,619  | 8,744      | 6,719                |
| Miscellaneous                                 | 30,261                                  | 22,128   | -   | 31,985                       | 13,804                                       | 98,178     | 105,436              |
| Subsidy from primary government               | -                                       | 123,551  | 10,000                                    | -                            | 71,942                                       | 205,493    | 217,698              |
| <b>Total general revenues</b>                 | 30,265                                  | 146,649  | 10,000                                    | 33,136                       | 92,365                                       | 312,415    | 329,853              |
| <b>Change in net position</b>                 | 28,350                                  | 45,745   | 24,446                                    | 7,614                        | 18,435                                       | 124,590    | 154,617              |
| <b>Net position at October 1, as restated</b> | 101,327                                 | 277,776  | 73,963                                    | 97,122                       | 243,562                                      | 793,750    | 639,133              |
| <b>Net position at September 30</b>           | \$ 129,677                              | \$ 323,521                                       | \$ 98,409                                 | \$ 104,736                   | \$ 261,997                                   | \$ 918,340 | \$ 793,750           |

The accompanying notes are an integral part of this statement.



## NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2016

(Dollar amounts expressed in thousands)

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## Notes to the Basic Financial Statements

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## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT

#### General Operations

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 of Columbia (the District) was established as the nation's capital on July 16, 1790, from territory ceded by Maryland and Virginia.

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 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



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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>

### **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 (the Authority), 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 132.

### 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**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 District of Columbia Lottery and Charitable Games Control Board.
- **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 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, 2015, from which such summarized information was derived.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 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 activities 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;
- 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.

#### **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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 local budget act and a federal portion 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 federal portion budget request act to the President of the United States for transmission by him to Congress. After public hearings, Congress enacts the federal portion of the budget through an appropriations act. The Chairman of the Council submits the local budget request act to the Congress, which then becomes law upon expiration of a 30-day review period.

### **Appropriations Act**

The Consolidated 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 by sending notification to Congress not fewer than 30 days in advance of the changes taking place.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to Section 446 of the Home Rule Act (D.C. Code § 1-204.46) and the Reprogramming Policy Act (D.C. Official Code §47- 363)), 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 Funds or the Special Revenue Funds.

Encumbered amounts at year-end have been included within the restricted fund balance in **Table N60a – Schedule of FY 2016 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 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 2006 (D.C. Official Code §47-351.01, et seq.), and the District's Investment Policy, as adopted in November 2008. As of September 30, 2016, 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 Post-Employment Benefits Funds are

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

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authorized to invest monies consistent with their respective Investment Policies. Historically, these Funds' investments have been comprised of equities, balanced funds, fixed income securities and other long-term horizon investment securities.

The District's investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is defined by GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 assumptions and information about market participant assumptions that is reasonably available.

Portfolio investments of the Private Purpose Trust Fund are reported at net asset value (NAV), in accordance with GASB Statement No. 72, in the accompanying Statement of Fiduciary Net Position. 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 meet the criteria established by GASB Statement No. 79 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 recorded at the lower of cost or market. Cost is determined using the first-in-first-out (FIFO) method.

**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 interest 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 reported at their acquisition value on the date received. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability with the counterparty could be liquidated. 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 (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                           |
| Improvements Other Than Buildings     | 5-25 years                            |
| Buildings                             | 15-60 years                           |
| Equipment and Machinery               | 3-10 years                            |
| Furniture and Fixtures                | 5 years                               |
| Vehicles (and Other Mobile Equipment) | 5-12 years                            |
| Street Cars                           | 30 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



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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.

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 (D.C. Code § 1-206.03), 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 2006 Tobacco CABs scheduled principal payment dates are June 2046 and June 2055. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted 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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2016, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (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 assumptions and information about market participant assumptions that is reasonably available.

- 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 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.

- 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 transaction or other event is not specified within a source of authoritative GAAP.
- Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

Implementation of Statements No. 72, 73, 76 and 79 had no material impact on the District's fiscal year 2016 financial statements.

More detailed information regarding the requirements contained in these statements may be found at the following website: [www.gasb.org](http://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. 74, *Financial Reporting For Postemployment Benefit Plans Other Than*



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*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. 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

- Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third-party, if the government controls the present service capacity of the beneficial interests. Statement 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2016, the District's

fiscal year 2018.

- Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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*, addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

The District has not determined the impact, if any, that the implementation of Statement Nos. 74, 75, 77, 78, 80, 81, and 82 will have on its financial statements.

More detailed information regarding the requirements contained in these statements may be found at the following website: [www.gasb.org](http://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, 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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 74.

As of September 30, 2016, 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 2016 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 externally imposed limitations on how the District



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

may expend the funds. Other revenues include but not limited to resources restricted for Unemployment Insurance Administrative expense, Charter Schools direct loan fund, and Storm Water Permit compliance activities.

*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.

*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.

### Committed Fund Balance

*Fiscal Stabilization Reserve* – This portion of fund balance is committed to purposes permitted for use of the Contingency Reserve Fund.

*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.

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

*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 Washington Metropolitan Area Transit Authority

Momentum Strategic Plan in accordance with Fiscal Year 2015 Budget Support Emergency Act of 2014 (BSA 20-0377). In fiscal year 2015, \$57.5 million was reserved in local fund. Upon further evaluation of the source of the fund, \$35.8 million was reclassified to Other-Type fund balances during fiscal year 2016. The remaining \$21.7 million left in the local fund had been appropriated for fiscal year 2017 expenditures.

*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 2017 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. i.e. funds obtained from real property or other assets formerly under the authority of the National Capital Revitalization Corporation or the Anacostia Waterfront Corporation committed to administering properties and programs under the authority of the Deputy Mayor for Planning and Economic Development, some of District of Columbia V. Expedia, Inc. settlement amount committed to WMATA Momentum Support Fund, and resources committed to Renewable Energy Development Fund.

### 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.

*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.

### Unassigned Fund Balance

*Capital Projects* – This portion of fund balance is restricted for the purpose of executing capital projects. The capital projects fund reported a negative unassigned fund balance at September 30, 2016 because expenditures were made in the Capital Projects Fund from resources that were advanced from the General Fund in anticipation of bond proceeds that will be restricted to the purpose for which those expenditures were made.

### Minimum Fund Balance Policies

#### Restricted Fund Balances

Through Congressional mandate, established by 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 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.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *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 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. Pursuant to D.C. Code § 47-392.02(j-1), as amended, the fiscal stabilization reserve account may be used by the Chief Financial Officer to cover cash flow needs; provided, that any amounts used shall be replenished to the fiscal stabilization reserve account in the same fiscal year. At full funding, the fiscal stabilization reserve must equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

#### *Cash Flow Reserve*

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

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

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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 120.

***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 127 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, 2016, there were 1,279 OPEB Plan participants receiving such benefits. The participants were comprised of 982 teachers, police, and firefighters, and 297 general District retirees. During fiscal year 2016, \$10.3 million was paid from the OPEB plan for the associated insurance carrier premiums and other administrative costs.

**V. USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to use estimates and make assumptions that affect the reported amounts of assets, 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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<br>AND PRIVATE<br>RESOURCES |
| <b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER<br/>USES - BUDGETARY BASIS</b>                   | \$ 301,168          | \$ 1,997                            |
| <b>Basis differences:</b>  |                     |                                     |
| Inventory is recorded using the purchase method for budgetary purposes and the<br>consumption method on a GAAP basis | (1,105)             | (3,750)                             |
| Transfers/Reclassifications  | (14,224)            | (2,457)                             |
| Fund balance released from restrictions - a funding source for budgetary purposes but not<br>revenue on a GAAP basis | (63,812)            | (2,863)                             |
| Federal pass-through contribution (D.C. Federal Pension Fund and SNAP)*  | -                   | 670,880                             |
| Federal pass-through expenditures (D.C. Federal Pension Fund and SNAP)*  | -                   | (670,880)                           |
| <b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER<br/>USES - GAAP BASIS</b>                        | <b>\$ 222,027</b>   | <b>\$ (7,073)</b>                   |

\* The federal pass through contribution/expenditures are comprised of: on-behalf payment to D.C. Federal Pension Fund (\$460,928) and payments to eligible low income families under the Supplemental Nutrition Assistance Program (SNAP) (\$209,952).

### Y. RESTATEMENT

#### Component Unit

*Change in Reporting Entity* - Based on GASB 14, *the Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations are Component Units*, the University of the District of Columbia (UDC) evaluated the nature and significance of its relationship with two foundations: (1) the University of the District of Columbia Foundation, Inc. and (2) the University of the District of Columbia School of Law Foundation, and determined that the foundations are

component units of UDC. Based on this determination, UDC discretely presented the financial statements of the two foundations in its fiscal year 2016 audited financial statements. Implementation of this change resulted in an increase in UDC's October 1, 2015 net position balance.

The following table summarizes the effect of the change in the reporting entity.

#### Restatement Table

|                                      | Dollars in \$000s      |
|--------------------------------------|------------------------|
|                                      | <b>October 1, 2015</b> |
| Net position, as previously reported | \$ 228,843             |
| Reporting entity change              | 14,719                 |
| <b>Net position, as restated</b>     | <b>\$ 243,562</b>      |

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**NOTE 2. CASH AND INVESTMENTS**

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**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 \$3,989,343 in deposits within the custody of the District as of September 30, 2016, were insured or collateralized with securities held by the District or by its agent in the District's name. As of September 30, 2016, the carrying amount of cash for the primary government including the fiduciary funds was \$3,630,758 and the carrying amount of cash (deposits) for the component units was \$358,585.

**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 Fund and the D.C. Library Trust Fund) consisted primarily of collateralized certificates of deposits, repurchase agreements and mortgage-backed securities as presented in **Table N2a**.



## NOTE 2. CASH AND INVESTMENTS

Table N2a – Cash and Investments Detail

|   |    | (Dollars in \$000s)  |                   |
|---|----|----------------------|-------------------|
|   |    | Total Carrying Value |                   |
| <b>INVESTMENTS</b>                        |    |                      |                   |
| <b>Primary Government:</b>                |    |                      |                   |
| U. S. government securities               | \$ | 2,336                |                   |
| Certificates of deposit                   |    | 102,500              |                   |
| Mortgage-backed securities                |    | 5,660                |                   |
| Guaranteed investment contracts           |    | 2,147                |                   |
| Repurchase agreements                     |    | 11,155               |                   |
| Exchange traded funds                     |    | 1,519                |                   |
| Alternative investments                   |    | 51                   |                   |
| <b>Total Primary Government</b>           | \$ |                      | 125,368           |
| <b>Fiduciary Funds:</b>                   |    |                      |                   |
| Commodities                               |    | 41,679               |                   |
| Equity securities                         |    | 5,040,992            |                   |
| Fixed income securities                   |    | 2,406,422            |                   |
| Real estate                               |    | 479,380              |                   |
| Private equity                            |    | 393,368              |                   |
| <b>Total Fiduciary Funds</b>              |    |                      | 8,361,841         |
| <b>Component Units:</b>                   |    |                      |                   |
| Certificates of deposit                   |    | 34,086               |                   |
| U. S. government securities               |    | 265,072              |                   |
| Fixed income securities                   |    | 11,127               |                   |
| Corporate securities                      |    | 2,824                |                   |
| Investment contracts                      |    | 13,071               |                   |
| Equities                                  |    | 30,838               |                   |
| Money market                              |    | 157,748              |                   |
| Alternative investments                   |    | 15,445               |                   |
| <b>Total Component Units</b>              |    |                      | 530,211           |
| <b>Total Reporting Entity Investments</b> | \$ |                      | <b>9,017,420</b>  |
| <b>CASH BALANCES</b>                      |    |                      |                   |
| Primary government                        | \$ |                      | 3,481,020         |
| Fiduciary funds                           |    |                      | 149,738           |
| Component units                           |    |                      | 358,585           |
| <b>Total Cash Balances</b>                | \$ |                      | <b>3,989,343</b>  |
| <b>Total Cash and Investment Balances</b> | \$ |                      | <b>13,006,763</b> |

Table N2b – Reconciliation of the District's Cash and Investment Balances

|  |    | (Dollars in \$000s) |                   |                     |                          |                            |                  |                                    |
|--|----|---------------------|-------------------|---------------------|--------------------------|----------------------------|------------------|------------------------------------|
|  |    | Exhibit 1-a         |                   |                     | Exhibit 4-a              |                            |                  | Total Cash and Investment Balances |
|  |    | Primary Government  | Component Units   | Total (Exhibit 1-a) | Pension/OPEB Trust Funds | Private Purpose Trust Fund | Agency Funds     | Total (Exhibit 4-a)                |
| Cash and cash equivalents              | \$ | 1,505,386           | \$ 181,671        | \$ 1,687,057        | \$ -                     | \$ -                       | \$ -             | \$ -                               |
| Investments                            |    | -                   | 158,445           | 158,445             | -                        | -                          | -                | -                                  |
| Cash and cash equivalents (restricted) |    | 1,975,634           | 176,914           | 2,152,548           | 88,512                   | 1                          | 61,225           | 149,738                            |
| Investments (restricted)               |    | 125,368             | 371,766           | 497,134             | 7,902,524                | 459,317                    | -                | 8,361,841                          |
| <b>Total</b>                           | \$ | <b>3,606,388</b>    | <b>\$ 888,796</b> | <b>\$ 4,495,184</b> | <b>\$ 7,991,036</b>      | <b>\$ 459,318</b>          | <b>\$ 61,225</b> | <b>\$ 8,511,579</b>                |
|  |    |                     |                   |                     |                          |                            |                  | <b>\$ 13,006,763</b>               |

## NOTE 2. CASH AND INVESTMENTS

## Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No.72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).
- Level 3 – Unobservable inputs (including the District's own assumptions in determining the fair value of investments).

An asset or a liability categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The District's investments measured at fair value as of September 30, 2016, are presented in **Table N3a** in accordance with the GASB Statement No.72 valuation hierarchy.

Table N3a – Investments Measured at Fair Value

| (Dollars in \$000s)                    |                       |   |   |   |
|--|-----------------------|---|---|---|
| Fair Value Measurement Using           |                       |   |   |   |
|  | September 30,<br>2016 | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) |
| <b>Investments by fair value level</b> |                       |   |   |   |
| Exchange traded funds:                 |                       |   |   |   |
| U.S. government bond fund              | \$ 407                | \$ -  | \$ 407  | -   |
| International equity funds             | 472                   | 472   | -   | -   |
| US equity funds                        | 317                   | 317   | -   | -   |
| Corporate bond funds                   | 155                   | -   | 155   | -   |
| High yield bond funds                  | 111                   | -   | 111   | -   |
| Commodity funds                        | 57                    | -   | 57  | -   |
| <b>Total exchange traded funds</b>     | <b>1,519</b>          | <b>789</b>  | <b>730</b>  | <b>-</b>  |
| Mortgage-backed securities             | 5,660                 | -   | 5,660   | -   |
| Repurchase agreements                  | 11,155                | -   | 11,155  | -   |
| Guaranteed investment contracts        | 2,147                 | -   | -   | 2,147   |
| <b>Total</b>                           | <b>\$ 20,481</b>      | <b>\$ 789</b>   | <b>\$ 17,545</b>                                    | <b>\$ 2,147</b>                                 |

- *Exchange traded funds (ETFs)* – An exchange traded fund is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. The District has invested in ETFs within the asset classes noted in **Table N3a**. ETF shares are traded on a national stock exchange and at market prices that may or may not be the same as the net asset value (NAV) of the shares. ETFs trade both at end of trading day NAV per share or Intraday Value (market price) that fluctuates throughout the trading day. An ETF's market price is generally maintained close to the ETF's end-of-day NAV because of the arbitrage function inherent to the structure of the ETF. The basket of assets that are traded like an index fund are classified as Level 1 in the fair value hierarchy. ETFs that are traded in bonds are classified as Level 2 in the fair value hierarchy.
- *Mortgage-backed securities* – Mortgage-backed securities are valued using quoted market prices,

recent market transactions and spread data for similar instruments. The value amounts of these assets were determined using a Level 2 measurement as presented in **Table N3a**.

- *Repurchase agreements* – The fair values of repurchase agreements are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs is actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The valuation of repurchase agreements is classified as Level 2 in **Table N3a**.
- *Guaranteed investment contracts* – Guaranteed investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with

## NOTE 2. CASH AND INVESTMENTS

comparable durations considering the credit-worthiness of the issuer. The determination of fair value includes certain unobservable inputs assessed through review of contract terms (for example, duration or payout date) while others are substantiated utilizing available market data. These fair value amounts were determined by using Level 3 measurement as presented in **Table N3a**.

**District Retirement Funds**

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).

Cash, short-term investments and Investment Pools held in the control of DCRB as of September 30, 2016, are presented in **Table N3b**. **Table N3c** presents the District Retirement Funds' investments measured at fair value as of September 30, 2016, in accordance with the GASB Statement No.72 valuation hierarchy.

**Table N3b – Cash and Investment Pools: District Retirement Funds**

|                                   | (Dollars in \$000s)   |                       |
|-----------------------------------|-----------------------|-----------------------|
|                                   | September 30,<br>2016 | September 30,<br>2015 |
| Cash and short-term investments   | \$ 51,480             | \$ 75,492             |
| Investments:                      |                       |                       |
| Domestic equity                   | 1,956,019             | 1,393,360             |
| International equity              | 2,081,748             | 1,683,172             |
| Fixed income                      | 1,818,097             | 1,875,532             |
| Real estate                       | 479,380               | 395,430               |
| Private equity                    | 393,368               | 708,607               |
| <b>Total cash and investments</b> | <b>\$ 6,780,092</b>   | <b>\$ 6,131,593</b>   |

**Table N3c – Investments Measured at Fair Value: District Retirement Funds**

|  | (Dollars in \$000s)   |   |   |  |
|--|-----------------------|---|---|--|
|  | September 30,<br>2016 | Fair Value Measurement Using  |   |  |
|  |                       | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by fair value level</b>                   |                       |   |   |  |
| Domestic equity  | \$ 264,682            | \$ 264,682  | \$ -  | -  |
| Fixed income   | 234,083               | -   | 234,083   | -  |
| Private equity   | 896                   | 896   | -   | -  |
| <b>Total investments by fair value level</b>             | <b>\$ 499,661</b>     | <b>\$ 265,578</b>   | <b>\$ 234,083</b>   | <b>-</b>   |
| <b>Investments measured at the Net Asset Value (NAV)</b> |                       |   |   |  |
| Domestic equity  | \$ 1,691,337          |   |   |  |
| International equity                                     | 2,081,748             |   |   |  |
| Fixed income   | 1,584,014             |   |   |  |
| Real estate  | 479,380               |   |   |  |
| Private equity   | 392,472               |   |   |  |
| <b>Total investments measured at the NAV</b>             | <b>6,228,951</b>      |   |   |  |
| <b>Total investments measured at fair value</b>          | <b>\$ 6,728,612</b>   |   |   |  |

## NOTE 2. CASH AND INVESTMENTS

- *Equity securities* – Equity securities classified in Level 1 of the fair value hierarchy are valued at the last sale price or official close price as of the close of trading on the applicable exchange where the security principally trades.
- *Fixed income securities* – Fixed income securities classified in Level 2 of the fair value hierarchy are valued at prices provided by independent pricing vendors. The vendors provide these prices after evaluating observable inputs including, but not limited to: quoted prices for similar securities, the

mean between the last reported bid and ask prices (or the last bid price in the absence of an asked price), yield curves, yield spreads, credit ratings, deal terms, tranche level attributes, default rates, cash flows, prepayment speeds, broker/dealer quotations, inflation and reported trades.

Additional information about the nature of investments measured at the Net Asset Value per share is presented in **Table N3d**.

Table N3d – Investments Measured at the Net Asset Value (NAV): District Retirement Funds

|  | (Dollars in \$000s)                 |                      |  |                          |
|--|-------------------------------------|----------------------|--|--------------------------|
|  | Fair Value as of September 30, 2016 | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| <b>Investments measured at the NAV</b>       |                                     |                      |  |                          |
| Domestic equity                              | \$ 1,691,337                        | \$ -                 | Daily  | None                     |
| International equities                       | 2,081,748                           | -                    | Daily  | None                     |
| Fixed income                                 | 1,584,014                           | -                    | Daily, Monthly                               | 3-30 days                |
| Real estate                                  | 479,380                             | 204,735              | None   | N/A                      |
| Private equity                               | 392,472                             | 199,766              | None   | N/A                      |
| <b>Total Investments measured at the NAV</b> | <b>\$ 6,228,951</b>                 | <b>\$ 404,501</b>    |  |                          |

*Domestic and international equities* – DCRB has investments in six funds with a domestic focus and five funds with an international focus, in which the equity securities maintain some level of market exposure; however, the level of market exposure may vary through time.

*Fixed income* - DCRB has investments in five funds, including corporate bonds, and U.S. Treasury obligations, with redemption notifications not greater than 30 days.

*Real estate and private equity* - DCRB has made commitments to purchase partnership interests in private equity and real estate funds as part of its long-term asset allocation plan for private markets. As presented in **Table N3d**, the unfunded commitments totaled \$404,501, as of September 30, 2016. This represents global investments in twenty-eight real estate and eighteen private equity funds. In general, investments in the private markets program are illiquid

and redemptions are structurally limited over the life of the investment. The private equity program spans a range of underlying strategies including buyouts, growth equity/venture, private debt, secondaries and fund-of-funds. The real estate program includes investments in a broad range of real estate strategies (i.e., core, value-added, opportunistic), infrastructure and natural resources funds.

#### District of Columbia Other Postemployment Benefits Fund (OPEB)

During fiscal year 2016, the District's Annuitants' Health and Life Insurance Employer Contribution Fund (OPEB Fund) maintained certain cash and cash equivalents in six investment accounts. **Table N4a** presents the Fund's cash and cash equivalents that were held in investment accounts as of September 30, 2016. **Table N4b** presents investments measured at fair value as of September 30, 2016, in accordance with GASB Statement No.72 valuation hierarchy.

Table N4a – Cash and Cash Equivalents Held in Investment Accounts: OPEB Fund

|  | (Dollars in \$000s) |                    |
|--|---------------------|--------------------|
|  | September 30, 2016  | September 30, 2015 |
| Cash account                             | \$ 5,696            | \$ 8,175           |
| Brandywine large cap                     | 7,733               | 4,221              |
| ClearBridge mid cap                      | 1,741               | 2,001              |
| Bernstein strategic core                 | 5,814               | 20,141             |
| Bernstein global plus                    | 4,798               | 1,393              |
| Farr, miller washington large cap growth | 11,250              | 9,728              |
| <b>Total cash and cash equivalents</b>   | <b>\$ 37,032</b>    | <b>\$ 45,659</b>   |



## NOTE 2. CASH AND INVESTMENTS

Table N4b – Investments and Derivative Instruments Measured at Fair Value: OPEB Fund

|   | (Dollars in \$000s)   |   |  |           |
|---|---|---|--|-----------|
|   | Fair Value Measurement Using  |   |  |           |
|   | Quoted Prices in Active<br>Markets for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |           |
| September 30,<br>2016                             |   |   |  |           |
| Investments by fair value level                   |   |   |  |           |
| Equity securities                                 |   |   |  |           |
| U.S. equities (by Industry)                       |   |   |  |           |
| Industrials                                       | 113,526   | 113,526   | -  | -         |
| Consumer retail                                   | 86,869  | 86,869  | -  | -         |
| Information technology                            | 62,095  | 62,095  | -  | -         |
| Financial institutions                            | 77,405  | 77,405  | -  | -         |
| HealthCare  | 53,112  | 53,112  | -  | -         |
| Other   | 5,853   | 5,853   | -  | -         |
| International equities                            |   |   |  |           |
| Consumer retail                                   | 2,960   | 2,960   | -  | -         |
| Information technology                            | 3,131   | 3,131   | -  | -         |
| Industrials                                       | 7,965   | 7,965   | -  | -         |
| Real estate investment trust securities           | 10,538  | -   | -  | 10,538    |
| Mutual funds                                      | 67,115  | 67,115  | -  | -         |
| Total equity securities                           | 490,569   | 480,031   | -  | 10,538    |
| Debt securities                                   |   |   |  |           |
| U.S. government issues                            | 24,690  | -   | 24,690   | -         |
| International government issues                   | 123,243   | -   | 123,243  | -         |
| Corporate bonds                                   | 82,541  | -   | 82,541   | -         |
| Mortgage backed securities                        | 57,195  | -   | 54,448   | 2,747     |
| Credit card/automotive receivable                 | 13,434  | -   | -  | 13,434    |
| Mutual funds                                      | 112,357   | -   | 112,357  | -         |
| US state and local government bonds               | 364   | -   | 364  | -         |
| Total debt securities                             | 413,824   | -   | 397,643  | 16,181    |
| Commodity investments                             |   |   |  |           |
| Gresham commodities fund                          | 41,678  | -   | -  | 41,678    |
| Total investments by fair value level             | 946,071   | \$ 480,031  | \$ 397,643   | \$ 68,397 |
| Investments measured at the Net Asset Value (NAV) |   |   |  |           |
| SSgA emerging markets equity index                | 79,099  |   |  |           |
| Barclays international growth fund                | 124,877   |   |  |           |
| Blue bay emerging markets debt fund               | 23,865  |   |  |           |
| Total investments measured at the NAV             | 227,841   |   |  |           |
| Total investments measured at fair value          | \$ 1,173,912  |   |  |           |
| Investment derivative instruments                 |   |   |  |           |
| Interest rate swaps                               | \$ (247)  | \$ -  | (247) \$   | -         |
| Credit defaults swaps                             | 3   | -   | 3  | -         |
| Foreign exchange forwards                         | 29  | -   | 29   | -         |
| Total investments derivative instruments          | \$ (215)  | \$ -  | (215) \$   | -         |

## NOTE 2. CASH AND INVESTMENTS

The following provides a summary of investments measured at fair value as presented in **Table N4b**.

- **Equity securities and mutual funds:** These investments are classified as Level 1 of the fair value hierarchy, and are valued using prices quoted in active markets for those securities. The mutual funds held in equities are deemed to be actively traded, and support classification of the fair value measurement as Level 1 in the fair value hierarchy.
- **Real estate investment trust securities:** Investments in Real Estate Investment Trust Securities are valued using either a discounted cash flow or market comparable company's technique. Consequently, measurement of the fair value of these assets is classified as Level 3.
- **Debt securities:** Classified as Level 2 of the fair value hierarchy, these assets are valued using market pricing and other observable market inputs for similar securities from a number of data providers, standard in the industry; or a broker quote in a non-active market. Collateralized auto loan securities, which are included in Collateralized Debt Obligations, are classified as Level 3; and are valued using consensus pricing. The mutual funds held in bonds are classified as Level 2.
- **Commodities fund:** The investment objectives of the fund are to provide a partial price hedge with an attractive risk/return profile, as compared to other products using a commodity index or a pool of commodities. Partial or complete redemption may be made, upon five (5) days' prior written notice, on the last business day of each calendar month or at such times and on such terms as the General Partner of the fund may, in his/her sole discretion, allow. The valuation techniques and inputs categorization within the valuation hierarchy is based upon Level 3; and uses the income approach, where the advisor considers a

list of factors to determine whether there has been significant decrease in relation to normal market activity.

**Investment derivative instruments:** OPEB's derivative financial instruments are valued by a third-party investment fund's manager, based on prevailing market data derived from proprietary models, and are carried at fair value. The Fund had three types of off-balance sheet derivative financial instrument outstanding. These derivative instruments are financial contracts, the values of which depend on the value of one or more underlying assets, or reference rates or financial indices, which dictate the rate of change of output with respect to the financial contracts. The financial instruments' categorization within the valuation hierarchy is based upon Level 2, which is the lowest level of input that is significant to the fair value measurement.

**Investments measured at the NAV:** This investment category consists of three (3) funds that include hedge funds and other funds/products that employ dynamic trading strategies aimed at achieving absolute returns. These alternative investment funds are organized as limited partnerships that are not traded on an exchange, and do not redeem shares on a daily basis. The funds have varying restrictions on liquidity and transferability. The fair values of the investments in this type have been determined using the NAV per share of the investments. The funds have varying redemption restrictions such as "lock-ups" or "gates". A lock-up period is a window of time when investors of a hedge fund or another closely held investment vehicle are not allowed to redeem or sell shares. A gate is a restriction placed on a hedge fund limiting the amount of withdrawals from the fund during a redemption period. These investments have redemption frequency that range from monthly to quarterly, and a redemption notice period that ranges from five to thirty calendar days. Additional information about the nature of investments measured at the Net Asset Value per share is presented in **Table N4c**.

**Table N4c – Investments Measured at the Net Asset Value (NAV): OPEB Fund**

| (Dollars in \$000s)                          |  |                         |  |                                |
|--|--|-------------------------|--|--------------------------------|
|  | Fair Value<br>as of<br>September<br>30, 2016 | Unfunded<br>Commitments | Redemption<br>Frequency (If<br>Currently Eligible) | Redemption<br>Notice<br>Period |
| <b>Investments measured at the NAV</b>       |  |                         |  |                                |
| SSgA emerging markets                        | \$ 79,099                                    | \$ -                    | Monthly  | 30 days                        |
| Barclays international                       | 124,877                                      | -                       | Monthly  | 5 days                         |
| Blue bay emerging markets debt fund          | 23,865                                       | -                       | Monthly  | 30 days                        |
| <b>Total investments measured at the NAV</b> | <b>\$ 227,841</b>                            | <b>\$ -</b>             |  |                                |

- **SSgA emerging markets equity fund:** The fund's investment objective is to produce long-term capital growth. The Fund seeks to achieve its investment objective by primarily investing in a diversified portfolio of equity securities and

equity-related securities; which are, or for which the underlying securities are, traded in emerging markets. Redemptions, in aggregate, by Shareholders on any Dealing Day (First Business Day of each month) may be limited to 20% of the

## NOTE 2. CASH AND INVESTMENTS

number of Shares within each Share Class then in issue at the end of the previous Dealing Day. In the event that aggregate requests are received for redemptions exceeding 20% of the number of Shares within any Share Class in issue at the end of the previous Dealing Day, any unredeemed balance of Shares over the said 20% level shall be held over on a pro-rata basis until the next Dealing Day, where they shall be redeemed in priority to new redemption requests received in respect of such Dealing Day. No issue or redemption of Shares will take place during any period when the calculation of the Net Asset Value is suspended.

- *Barclays international emerging markets equity, value and growth funds*: The fund's investment objective is to produce long-term capital growth. The Fund seeks to achieve its investment objective by primarily investing in a diversified portfolio of equity securities and equity-related securities; which are, or for which the underlying securities are, traded in emerging markets. Redemptions, in aggregate, by Shareholders on any Dealing Day (First Business Day of each month) may be limited to 20% of the number of Shares within each Share Class then in issue at the end of the previous Dealing Day. In the event that aggregate requests are received for redemptions exceeding 20% of the number of Shares within any Share Class in issue at the end of the previous Dealing Day, any unredeemed balance of Shares over the said 20% level shall be held over on a pro-rata basis until the next Dealing Day, where they shall be redeemed in priority to new redemption

requests received in respect of such Dealing Day. No issue or redemption of Shares will take place during any period when the calculation of the Net Asset Value is suspended.

- *Blue bay emerging markets debt fund*: The investment objectives of this Fund are to achieve favorable income-oriented returns from a globally diversified portfolio of primarily developing market debt or debt-like securities, and preservation and enhancement of principal. Participating Shares may be redeemed monthly, with five (5) days prior written notice, on the last business day of each calendar month; or at such times, and on such terms as the Board of Directors of the Fund may, in their sole discretion, allow.

### Deposit and Investment Risk Disclosures

The District's investments and those of its discretely presented component units are subject to interest rate, credit, custodial credit, concentration of 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 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 Fund) may be exposed are described in **Table N5**.

## NOTE 2. CASH AND INVESTMENTS

Table N5 – Deposit and Investment Risk Disclosures

| Risk                         | Definition  | District of Columbia  | District Retirement Funds  | OPEB Fund  |
|------------------------------|---|---|--|--|
| <b>Interest Rate Risk</b>    | Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.   | An investment with a longer maturity will generally 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 authorized investments and maturity limits as detailed in the District's investment policy are presented in <b>Table N6</b> .  | DCRB monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. As a general rule, the risk and return of DCRB's fixed income segment of the portfolio is compared to the Barclays Capital U.S. 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 (two) years of the duration of this Index. | The OPEB 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 examine how sensitive the fixed income portfolios' underlying assets are to movement in interest rates, and to recommend any appropriate investment manager changes.  |
| <b>Credit Risk</b>           | 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. | 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 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, 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 Fund's bond holdings in each investment manager's portfolio should be maintained at "A" or better. OPEB has not failed to access collateral, when required. Since the derivative products have been established for some time, OPEB uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity; and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. For portfolios that were not individually managed, the credit quality exceeded the index value of "BBB-". As of September 30, 2016, the average quality ratings of those counterparties were as follows: SSgA was Aa2, and Access Capital was AAA. |
| <b>Custodial Credit Risk</b> | Custodial credit risk is the risk that, given a financial institution's failure, the government will not be able to recover deposits or collateral.   | The District had no custodial credit risk exposure during the fiscal year. All District investments in fiscal year 2016 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 fiscal year 2016. Investments controlled by DCRB in fiscal year 2016 were collateralized. Investments held by the custodian on behalf of DCRB were held in an account in the name of DCRB. Funds not invested at the end of the day were placed in overnight investments in the name of DCRB.   | The OPEB 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 Fund.  |



## NOTE 2. CASH AND INVESTMENTS

|                                     |   |  |  |  |
|-------------------------------------|---|--|--|--|
| <b>Concentration of Credit Risk</b> | Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. | 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: 1) 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, 2016, the District was in compliance with this policy. | DCRB's investment guidelines do not permit direct investment in any single issuer in excess of 5.00% of the value of the portfolio. This excludes U.S. Treasuries, U.S. government-sponsored enterprises and U.S. government agency securities. As of September 30, 2016, DCRB was in compliance with this policy.   | OPEB Fund has no significant concentrations of exposure to credit risk that has not been reduced by collateral and other set-offs.   |
| <b>Foreign Currency Risk</b>        | Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.       | As of September 30, 2016, the District had no exposure to foreign currency risk (other than investments held by DCRB on behalf the District Retirement Funds and the OPEB Fund).   | 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. At the end of fiscal year 2016, the District Retirement Funds held investments that were denominated in a currency other than the United States dollar, as presented in <b>Table N7a</b> . | The OPEB Fund does not have a formal policy for limiting its exposure to changes in exchange rates. <b>Table N7b</b> presents the OPEB Fund's investments that were denominated in a currency other than the United States dollar. |

Table N6 – District Investment Maturities and Limits

| 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<br>Certificates of Deposit | N/A              | 30%                |
| Money Market Mutual Funds                                      | N/A              | 100%               |
| Bank Deposits  | N/A              | 100%               |

N/A - Not Applicable

## NOTE 2. CASH AND INVESTMENTS

Table N7a – District Retirement Funds' Investments Denominated in Foreign Currency

|                               | Asset Class (in \$000s) |             |              |                  | Total            |
|-------------------------------|-------------------------|-------------|--------------|------------------|------------------|
|                               | Cash                    | Equities    | Fixed Income | Private Equity   |                  |
| Canadian Dollar               | \$ -                    | \$ -        | \$ -         | \$ 1,258         | \$ 1,258         |
| Euro                          | 76                      | -           | -            | 29,203           | 29,279           |
| Swiss Franc                   | 110                     | -           | -            | -                | 110              |
| <b>Total Foreign Currency</b> | <b>\$ 186</b>           | <b>\$ -</b> | <b>\$ -</b>  | <b>\$ 30,461</b> | <b>\$ 30,647</b> |

Table N7b – OPEB Fund Investments Denominated in Foreign Currency

|                               | (Dollars in \$000s) |                              |                   |
|-------------------------------|---------------------|------------------------------|-------------------|
|                               | Short-Term and Cash | Convertible and Fixed Income | Total             |
| Australian Dollar             | \$ (13)             | \$ 88                        | \$ 75             |
| Brazilian Real                | -                   | 4,816                        | 4,816             |
| Canadian Dollar               | 69                  | 12,987                       | 13,056            |
| Euro                          | (33)                | 50,229                       | 50,196            |
| Japanese Yen                  | 160                 | 32,769                       | 32,929            |
| Mexican Peso                  | -                   | 2,507                        | 2,507             |
| New Zealand Dollar            | 20                  | (5)                          | 15                |
| Norwegian Kroner              | 23                  | 81                           | 104               |
| Polish Zloty                  | 20                  | 803                          | 823               |
| Pound Sterling                | 93                  | 13,506                       | 13,599            |
| Russian Ruble                 | -                   | 401                          | 401               |
| Singapore Dollar              | -                   | 334                          | 334               |
| South African Rand            | 18                  | 262                          | 280               |
| Swedish Krona                 | -                   | 969                          | 969               |
| Turkish Lira                  | -                   | 354                          | 354               |
| <b>Total Foreign Currency</b> | <b>\$ 357</b>       | <b>\$ 120,101</b>            | <b>\$ 120,458</b> |

## 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, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended.

## NOTE 2. CASH AND INVESTMENTS

Table N8 – Derivative Instruments Outstanding as of September 30, 2016

|  |                    | (Dollars in \$000s)   |                |                                  |            |
|--|--------------------|-----------------------|----------------|----------------------------------|------------|
|  |                    | Changes in Fair Value |                | Fair Value at September 30, 2016 |            |
|  | Classification     | Amount                | Classification | Amount                           | Notional   |
| <b>Governmental Activities:</b>                          |                    |                       |                |                                  |            |
| Cash flow hedges:  |                    |                       |                |                                  |            |
| Floating to fixed interest rate swaps:                   |                    |                       |                |                                  |            |
| 2014B (formerly 2008C) Swap                              | Deferred outflows  | \$ (883)              | Swap           | \$ (45,959)                      | \$ 224,300 |
| 2007 AWC Swap  | Deferred outflows  | 2,030                 | Swap           | (5,191)                          | 54,675     |
| 2004B Swap   | Deferred outflows  | 618                   | Swap           | (656)                            | 9,460      |
| <b>Derivative instrument liabilities, at end of year</b> |                    |                       |                | <b>\$ (51,806)</b>               |            |
| Floating to floating interest rate swaps:                |                    |                       |                |                                  |            |
| 2001C/D Basis Swap                                       | Investment revenue | \$ (92)               | Swap           | \$ 513                           | \$ 155,315 |
| <b>Derivative instrument assets, at end of year</b>      |                    |                       |                | <b>\$ 513</b>                    |            |

The District is a party to five interest rate swap agreements recorded in the financial statements in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which became effective for financial statements for periods beginning after June 15, 2009. Consistent with that statement, all derivatives are to be reported in the statement of net position at fair value, and all hedges must be tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value is either reported in the statement of net position, or in the statement of activities.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk (the mark-to-market value excludes the risk of nonperformance). The District adopted GASB Statement No. 72 in fiscal year 2016. Consequently, an independent party was engaged to perform the valuation and required tests under GASB Statement No. 53 and GASB Statement No. 72 on

these five swaps.

The expected swap cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. The observability of inputs used to perform the measurement results in the swap fair values being categorized as Level 2.

#### 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, 2016, along with the credit rating of the associated counterparty.

## NOTE 2. CASH AND INVESTMENTS

Table N9 – Objectives and Terms of Hedging Derivative Instruments Outstanding as of September 30, 2016

| (Dollars in \$000s)                   |   |                 |                |               |   |                            |
|---------------------------------------|---|-----------------|----------------|---------------|---|----------------------------|
| Type                                  | Objective   | Notional Amount | Effective Date | Maturity Date | Terms   | Counterparty Credit Rating |
| <b>Pay-Fixed Interest Rate Swaps:</b> |   |                 |                |               |   |                            |
| 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/BBB+/A                  |
| 2007 AWC Swap                         | Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds   | \$54,675        | 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   | \$9,460         | 12/8/2004      | 6/1/2020      | Pay fixed rate of 5.121%; receive the rate that matches the rate on the underlying bonds (Muni CPI Index)                     | Aa3/A+/AA-                 |
| <b>Pay Floating Basis Swaps:</b>      |   |                 |                |               |   |                            |
| 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 | \$155,315       | 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-                 |

**Risks***Credit Risk*

The mark-to-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 mark-to-market 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, 2016, were as presented in **Table N9**.

The District was exposed to minimal credit risk because most of the interest rate swaps had negative mark-to-market values. The aggregate mark-to-market value of hedging derivative instruments in asset positions as of September 30, 2016, was \$513 (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, 2016, the fair value of the investments in derivative instruments subject to interest rate risk was \$513 (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, 2016, the notional amount of the 2001C/D Swap was \$155,315. 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, 2016, this interest rate swap had



## NOTE 2. CASH AND INVESTMENTS

a fair value of \$513 (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 2014B 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 2004B Bonds is based on the Muni CPI Index as is the variable swap rate received from the associated swaps. Consequently, as of September 30, 2016, 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 District was not exposed to rollover risk during fiscal year 2016.

### **District of Columbia Retirement Funds' Derivatives**

During fiscal year 2016, the District's Retirement Funds, in accordance with the policies of the District of Columbia Retirement Board (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.

## NOTE 2. CASH AND INVESTMENTS

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<br><br>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. There were no derivatives as of September 30, 2016.

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 7<sup>th</sup> Street, N.W., Washington, DC 20001 or by accessing the following website: <http://dcrb.dc.gov>.

#### District of Columbia Other Postemployment Benefits Fund's Derivatives:

In accordance with OPEB's investment policies, OPEB regularly invests in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities, in order to enhance return on investment and manage exposure to certain risks within the funds. Derivative instruments are financial contracts, the values of which depend on the value of one or more underlying assets, reference rates, or financial indices. During fiscal year 2016, OPEB invested directly in forward currency contracts.

At September 30, 2016, OPEB had two types of off-balance-sheet derivative financial instruments outstanding including swaps and currency forwards. The swaps represent interest rate swaps and credit default swaps which are used to hedge interest rate and credit exposure risks. Currency forwards represent foreign exchange contracts, and are used to effect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies, against fluctuations in the exchange rates of those currencies or to gain exposure to the change

in market value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

All of OPEB's derivative instruments include provisions that require OPEB to post collateral in the event its credit rating falls below "AA" as issued by Standard & Poor's, or "Aa" as issued by Moody's Investors Services. The collateral posted is to be in the form of U.S. Treasury funds in the amount of the fair value hedging derivative instruments in liability positions, net of the effect of applicable netting arrangements. If OPEB does not post collateral, the hedging derivative instrument may be terminated by the counterparty. As of September 30, 2016, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was \$10 (thousand). If the collateral posting requirements were triggered, OPEB would be required to post the aggregate fair value in collateral to its counterparties. The District has an "Aa" rating; therefore, no collateral has been required to be posted as of September 30, 2016. The net unrealized gain on foreign currency spot and forward contracts for the years ended September 30, 2016, was \$322 (thousand). **Table N10b** presents a list of the OPEB Fund's derivatives aggregated by type as of September 30, 2016.

**Table N10b – Derivative Investments Aggregated by Type: OPEB**

| (Dollars in \$000s)               |                       |                 |                                  |                 |          |
|-----------------------------------|-----------------------|-----------------|----------------------------------|-----------------|----------|
| Type of Derivative                | Changes in Fair Value |                 | Fair Value at September 30, 2016 |                 | Notional |
|                                   | Classification        | Amount          | Classification                   | Amount          |          |
| Credit Default Swaps Bought       | Investment Revenue    | \$ (79)         | Swaps                            | \$ (20)         | \$ 506   |
| Credit Default Swaps Written      | Investment Revenue    | (3)             | Swaps                            | 24              | 2,420    |
| Equity Options Written            | Investment Revenue    | 21              | Options                          | -               | -        |
| Fixed Income Futures Long         | Investment Revenue    | 594             | Futures                          | -               | 30,435   |
| Fixed Income Futures Short        | Investment Revenue    | (503)           | Futures                          | -               | (14,636) |
| FX Forwards                       | Investment Revenue    | 2,657           | LT Instruments                   | 28              | 113,520  |
| Pay Fixed Interest Rate Swaps     | Investment Revenue    | (233)           | Swaps                            | (445)           | 62,064   |
| Receive Fixed Interest Rate Swaps | Investment Revenue    | 241             | Swaps                            | 198             | 4,420    |
| Total                             |                       | <u>\$ 2,695</u> |                                  | <u>\$ (215)</u> |          |

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**NOTE 2. CASH AND INVESTMENTS**

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**C. SECURITIES LENDING**

Consistent with District statutes and DCRB policies, the District Retirement Funds may participate in securities lending transactions. When entering into such transactions, the District Retirement Funds are to rely upon a Securities Lending Authorization

Agreement, which authorizes the master custodian to lend the Funds' securities to qualified broker-dealers and banks pursuant to a loan agreement. During fiscal year 2016, the District Retirement Funds did not participate in any security lending transactions.



### NOTE 3. RESTRICTED ASSETS

As of September 30, 2016, restricted assets of the primary government, component units, and fiduciary funds totaled \$11,161,261 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 | Nonmajor Funds    | Total               |
| Bond escrow accounts     | \$ 498,030                                 | \$ -                        | \$ -                          | \$ -                         | \$ -              | \$ 498,030          |
| Capital project          | -  | -                           | -                             | 25,387                       | 68,611            | 93,998              |
| Emergency cash reserve   | 129,048                                    | -                           | -                             | -                            | -                 | 129,048             |
| Contingency cash reserve | 258,017                                    | -                           | -                             | -                            | -                 | 258,017             |
| Other                    | 109,852                                    | 115,880                     | 244,473                       | -                            | 242,772           | 712,977             |
| <b>Total</b>             | <b>\$ 994,947</b>                          | <b>\$ 115,880</b>           | <b>\$ 244,473</b>             | <b>\$ 25,387</b>             | <b>\$ 311,383</b> | <b>\$ 1,692,070</b> |

|                      | Proprietary Funds/Business-Type Activities |                           |                   |                     |                   |
|----------------------|--|---------------------------|-------------------|---------------------|-------------------|
|                      | Lottery & Games                            | Unemployment Compensation | Total             | Fiduciary Funds     | Component Units   |
| Bond escrow accounts | \$ -                                       | \$ -                      | \$ -              | \$ -                | 239,986           |
| Unpaid prizes        | 2,336                                      | -                         | 2,336             | -                   | -                 |
| University endowment | -  | -                         | -                 | -                   | 28,980            |
| Benefits             | -  | 406,596                   | 406,596           | 8,511,579           | -                 |
| Purpose restrictions | -  | -                         | -                 | -                   | 267,836           |
| Other                | -  | -                         | -                 | -                   | 11,878            |
| <b>Total</b>         | <b>\$ 2,336</b>                            | <b>\$ 406,596</b>         | <b>\$ 408,932</b> | <b>\$ 8,511,579</b> | <b>\$ 548,680</b> |

The bond escrow accounts in the general fund include bond escrow for capital lease payment of \$1,837.

## 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<br>& Private<br>Resources | Housing<br>Production<br>Trust | General Capital<br>Improvements | Nonmajor<br>Governmental<br>Funds | Lottery &<br>Games | Unemployment<br>Compensation | Fiduciary<br>Funds |
| Gross receivables:                |                     |                                   |                                |                                 |                                   |                    |                              |                    |
| Taxes                             | \$ 376,562          | \$ -                              | \$ -                           | \$ -                            | 3,845                             | \$ -               | \$ -                         | -                  |
| Accounts and other                | 334,176             | 8,473                             | 258                            | -                               | 37,671                            | 4,024              | 33,524                       | 12,899             |
| Federal                           | 7,143               | 398,579                           | -                              | 53,308                          | -                                 | -                  | 600                          | 23,496             |
| <b>Total gross receivables</b>    | <b>717,881</b>      | <b>407,052</b>                    | <b>258</b>                     | <b>53,308</b>                   | <b>41,516</b>                     | <b>4,024</b>       | <b>34,124</b>                | <b>36,395</b>      |
| Less-allowance for uncollectibles | 128,976             | -                                 | -                              | -                               | -                                 | 254                | 23,617                       | -                  |
| <b>Total net receivables</b>      | <b>\$ 588,905</b>   | <b>\$ 407,052</b>                 | <b>\$ 258</b>                  | <b>\$ 53,308</b>                | <b>\$ 41,516</b>                  | <b>\$ 3,770</b>    | <b>\$ 10,507</b>             | <b>\$ 36,395</b>   |

### B. INTERFUND TRANSFERS

Other than the transfers between the District of Columbia Lottery and Charitable 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, 2016.

**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           | \$ 25,333          |
| Lottery and Games                  | General Fund                  | DC Lottery excess revenues, after operating costs              | 53,287             |
| General Fund                       | Capital Improvements Fund     | PAYGO - Projects financed by the General Fund                  | 98,942             |
| General Fund                       | Capital Improvements Fund     | PAYGO - Capital Projects financed by Local Transportation Fund | 45,162             |
| Capital Improvements Fund          | General Fund                  | Unspent Capital Paygo transferred back to the General Fund     | 14,082             |
| PILOT Special Revenue Fund         | General Fund                  | Excess collections above PILOT debt service requirements       | 2,400              |
| Tax Increment Financing Fund       | General Fund                  | Excess collections above TIF debt service requirements         | 9,416              |
| Federal and Private Resources Fund | General Fund                  | Revenues generated from indirect cost recovery                 | 1,318              |
| Baseball Special Revenue Fund      | Baseball Debt Service Fund    | Funds for baseball debt service payments                       | 120,343            |
| General Fund                       | Housing Production Trust Fund | Funds for housing projects and services                        | 90,179             |
| <b>Total Interfund Transfers</b>   |                               |  | <b>\$ 460,462</b>  |

## NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

### C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Due to/Due from and interfund receivable and payable balances for each fund and individual component unit as of September 30, 2016, 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**

| Fund or Component Unit                     | (Dollars in \$000s)                |                  |                   |                   |
|--|------------------------------------|------------------|-------------------|-------------------|
|  | Primary Government/Component Units |                  | Interfund         |                   |
|  | Receivables                        | Payables         | Receivables       | Payables          |
| General                                    | \$ 24,596                          | \$ 16,874        | \$ 348,942        | \$ 21,725         |
| Federal & Private Resources                | -                                  | 1,026            | 21,666            | 195,398           |
| Housing Production Trust                   | -                                  | -                | 5,581             | -                 |
| General Capital Improvements               | -                                  | 1,464            | -                 | 131,543           |
| Nonmajor - Baseball Special Revenue        | 665                                | -                | 4,754             | -                 |
| Nonmajor - PILOT Special Revenue           | -                                  | -                | 863               | 2,400             |
| Nonmajor - Tax Increment Financing         | 532                                | 744              | 2,168             | 9,415             |
| Unemployment Compensation                  | -                                  | -                | 419               | 21,895            |
| Pension Trust                              | -                                  | -                | -                 | 1,866             |
| Agency Fund                                | -                                  | 349              | -                 | 151               |
| Health Benefit Exchange Authority          | 446                                | 1,011            | -                 | -                 |
| Not-For-Profit Hospital Corporation        | 241                                | -                | -                 | -                 |
| Washington Convention and Sports Authority | 13,161                             | 2,051            | -                 | -                 |
| University of the District of Columbia     | 6,609                              | 22,731           | -                 | -                 |
| <b>Total</b>                               | <b>\$ 46,250</b>                   | <b>\$ 46,250</b> | <b>\$ 384,393</b> | <b>\$ 384,393</b> |

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2017.

## NOTE 5. CAPITAL ASSETS

### Capital Outlays

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled \$1,107,239 during the fiscal year ended September 30, 2016. 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**

| Asset Class                                       | (Dollars in \$000s)           |                   |                              |                       | Balance<br>September 30,<br>2016 |
|---|-------------------------------|-------------------|------------------------------|-----------------------|----------------------------------|
|   | Balance<br>October 1,<br>2015 | Additions         | Transfers/<br>(Dispositions) | Transfers from<br>CIP |                                  |
| Non-depreciable:                                  |                               |                   |                              |                       |                                  |
| Land  | \$ 933,835                    | \$ 3,648          | \$ -                         | \$ 10,929             | \$ 948,412                       |
| Construction in progress                          | 1,325,618                     | 894,154           | -                            | (999,864)             | 1,219,908                        |
| <b>Total non-depreciable</b>                      | <b>2,259,453</b>              | <b>897,802</b>    | <b>-</b>                     | <b>(988,935)</b>      | <b>2,168,320</b>                 |
| Depreciable:                                      |                               |                   |                              |                       |                                  |
| Infrastructure                                    | 5,829,329                     | -                 | 2,950                        | 345,383               | 6,177,662                        |
| Buildings   | 7,795,842                     | 1,230             | (8,049)                      | 590,569               | 8,379,592                        |
| Equipment   | 1,562,594                     | 37,928            | (35,275)                     | 52,983                | 1,618,230                        |
| <b>Total depreciable</b>                          | <b>15,187,765</b>             | <b>39,158</b>     | <b>(40,374)</b>              | <b>988,935</b>        | <b>16,175,484</b>                |
| Less accumulated depreciation for:                |                               |                   |                              |                       |                                  |
| Infrastructure                                    | (2,504,632)                   | (149,313)         | (634)                        | -                     | (2,654,579)                      |
| Buildings   | (1,804,526)                   | (150,777)         | 858                          | -                     | (1,954,445)                      |
| Equipment   | (1,221,036)                   | (113,035)         | 31,180                       | -                     | (1,302,891)                      |
| <b>Total accumulated depreciation</b>             | <b>(5,530,194)</b>            | <b>(413,125)</b>  | <b>31,404</b>                | <b>-</b>              | <b>(5,911,915)</b>               |
| <b>Total depreciable, net</b>                     | <b>9,657,571</b>              | <b>(373,967)</b>  | <b>(8,970)</b>               | <b>988,935</b>        | <b>10,263,569</b>                |
| <b>Net governmental activities capital assets</b> | <b>\$ 11,917,024</b>          | <b>\$ 523,835</b> | <b>\$ (8,970)</b>            | <b>\$ -</b>           | <b>\$ 12,431,889</b>             |

## 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

| Function                            | (Dollars in \$000s)           |                   |                              |                           |                                  |
|-------------------------------------|-------------------------------|-------------------|------------------------------|---------------------------|----------------------------------|
|                                     | Balance<br>October 1,<br>2015 | Additions         | Transfers/<br>(Dispositions) | CIP Transfers<br>in (out) | Balance<br>September 30,<br>2016 |
| Governmental direction and support  | \$ 2,741,180                  | \$ 3,229          | \$ (226,369)                 | \$ 20,226                 | \$ 2,538,266                     |
| Economic development and regulation | 547,104                       | 6,942             | 14,060                       | 918                       | 569,024                          |
| Public safety and justice           | 1,141,634                     | 6,105             | (6,487)                      | 25,801                    | 1,167,053                        |
| Public education system             | 3,544,273                     | 13,244            | 200,676                      | 555,763                   | 4,313,956                        |
| Human support services              | 1,498,391                     | 2,390             | (11,331)                     | 33,622                    | 1,523,072                        |
| Public works                        | 6,649,018                     | 10,896            | (10,923)                     | 363,534                   | 7,012,525                        |
| Construction in progress            | 1,325,618                     | 894,154           | -                            | (999,864)                 | 1,219,908                        |
| <b>Total</b>                        | <b>\$ 17,447,218</b>          | <b>\$ 936,960</b> | <b>\$ (40,374)</b>           | <b>\$ -</b>               | <b>\$ 18,343,804</b>             |

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

A summary of changes in governmental activities capital assets' accumulated depreciation by function for the primary government is shown in Table N17.

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

| Function                            | (Dollars in \$000s)           |                   |                              |                                  |
|-------------------------------------|-------------------------------|-------------------|------------------------------|----------------------------------|
|                                     | Balance<br>October 1,<br>2015 | Additions         | Transfers/<br>(Dispositions) | Balance<br>September 30,<br>2016 |
| Governmental direction and support  | \$ 1,038,502                  | \$ 61,194         | \$ (50,042)                  | \$ 1,049,654                     |
| Economic development and regulation | 44,229                        | 6,718             | (675)                        | 50,272                           |
| Public safety and justice           | 449,588                       | 49,154            | (7,470)                      | 491,272                          |
| Public education system             | 755,148                       | 92,430            | 45,299                       | 892,877                          |
| Human support services              | 418,449                       | 30,763            | (6,956)                      | 442,256                          |
| Public works                        | 2,824,278                     | 172,866           | (11,560)                     | 2,985,584                        |
| <b>Total</b>                        | <b>\$ 5,530,194</b>           | <b>\$ 413,125</b> | <b>\$ (31,404)</b>           | <b>\$ 5,911,915</b>              |



## 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, 2015 | Additions     | (Dispositions) / Adjustments | Balance September 30, 2016 |
| <b>Lottery:</b>                    |                         |               |                              |                            |
| Depreciable:                       |                         |               |                              |                            |
| Equipment                          | \$ 3,845                | \$ 250        | \$ -                         | \$ 4,095                   |
| <b>Total</b>                       | <b>3,845</b>            | <b>250</b>    | <b>-</b>                     | <b>4,095</b>               |
| <b>Total depreciable</b>           | <b>3,845</b>            | <b>250</b>    | <b>-</b>                     | <b>4,095</b>               |
| Less accumulated depreciation for: |                         |               |                              |                            |
| Equipment                          | (3,676)                 | (89)          | -                            | (3,765)                    |
| Total accumulated depreciation     | (3,676)                 | (89)          | -                            | (3,765)                    |
| <b>Net capital assets</b>          | <b>\$ 169</b>           | <b>\$ 161</b> | <b>\$ -</b>                  | <b>\$ 330</b>              |

## E. DISCRETELY PRESENTED COMPONENT UNITS: CAPITAL ASSETS

A summary of capital assets 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, 2015, as restated | Additions       | Transfers/ (Dispositions) | CIP Transfers in (out) | Balance September 30, 2016 |
| Non-depreciable:                      |                                      |                 |                           |                        |                            |
| Land                                  | \$ 20,989                            | \$ -            | \$ (75)                   | \$ -                   | \$ 20,914                  |
| Artwork                               | 3,182                                | -               | -                         | -                      | 3,182                      |
| Construction in progress              | 8,793                                | 7,171           | -                         | (3,944)                | 12,020                     |
| <b>Total non-depreciable</b>          | <b>32,964</b>                        | <b>7,171</b>    | <b>(75)</b>               | <b>(3,944)</b>         | <b>36,116</b>              |
| Depreciable:                          |                                      |                 |                           |                        |                            |
| Buildings and improvements            | 1,110,083                            | 27,368          | (304)                     | 3,944                  | 1,141,091                  |
| Equipment                             | 343,067                              | 26,380          | (26)                      | -                      | 369,421                    |
| <b>Total depreciable</b>              | <b>1,453,150</b>                     | <b>53,748</b>   | <b>(330)</b>              | <b>3,944</b>           | <b>1,510,512</b>           |
| Less accumulated depreciation for:    |                                      |                 |                           |                        |                            |
| Buildings and improvements            | (396,430)                            | (39,901)        | 304                       | -                      | (436,027)                  |
| Equipment                             | (220,739)                            | (13,331)        | 26                        | -                      | (234,044)                  |
| <b>Total accumulated depreciation</b> | <b>(617,169)</b>                     | <b>(53,232)</b> | <b>330</b>                | <b>-</b>               | <b>(670,071)</b>           |
| <b>Total depreciable, net</b>         | <b>835,981</b>                       | <b>516</b>      | <b>-</b>                  | <b>3,944</b>           | <b>840,441</b>             |
| <b>Net capital assets</b>             | <b>\$ 868,945</b>                    | <b>\$ 7,687</b> | <b>\$ (75)</b>            | <b>\$ -</b>            | <b>\$ 876,557</b>          |

## NOTE 5. CAPITAL ASSETS

Table N20 – Capital Assets by Component Unit

| Component Units                            | (Dollars in \$000s)                   |                  |                              |                       |                                       |                    |                              |                       |  |                                  |
|--|---------------------------------------|------------------|------------------------------|-----------------------|---------------------------------------|--------------------|------------------------------|-----------------------|--|----------------------------------|
|  | Capital Assets                        |                  |                              |                       | Accumulated Depreciation              |                    |                              |                       | Net Capital Assets                               |                                  |
|  | October<br>1, 2015,<br>as<br>restated | Additions        | Transfers/<br>(Dispositions) | September<br>30, 2016 | October<br>1, 2015,<br>as<br>restated | Additions          | Transfers/<br>(Dispositions) | September<br>30, 2016 | Balance<br>October<br>1, 2015,<br>as<br>restated | Balance<br>September<br>30, 2016 |
| University of the District of Columbia     | \$ 344,728                            | \$ 17,700        | \$ (403)                     | \$ 362,025            | \$ (148,920)                          | \$ (5,957)         | \$ 328                       | \$ (154,549)          | \$ 195,808                                       | \$ 207,476                       |
| Washington Convention and Sports Authority | 978,369                               | 7,099            | (2)                          | 985,466               | (423,544)                             | (32,032)           | 2                            | (455,574)             | 554,825  | 529,892                          |
| Health Benefit Exchange Authority          | 63,138                                | 22,441           | -                            | 85,579                | (9,079)                               | (7,398)            | -                            | (16,477)              | 54,059   | 69,102                           |
| Housing Finance Agency                     | 6,296                                 | 74               | -                            | 6,370                 | (4,283)                               | (145)              | -                            | (4,428)               | 2,013  | 1,942                            |
| Not-for-Profit Hospital Corporation        | 93,583                                | 13,605           | -                            | 107,188               | (31,343)                              | (7,700)            | -                            | (39,043)              | 62,240   | 68,145                           |
| <b>Total</b>                               | <b>\$ 1,486,114</b>                   | <b>\$ 60,919</b> | <b>\$ (405)</b>              | <b>\$ 1,546,628</b>   | <b>\$ (617,169)</b>                   | <b>\$ (53,232)</b> | <b>\$ 330</b>                | <b>\$ (670,071)</b>   | <b>\$ 868,945</b>                                | <b>\$ 876,557</b>                |

## 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**

| Function and Sub-function           | (Dollars in \$000s)           |                           |   |                                  |
|-------------------------------------|-------------------------------|---------------------------|---|----------------------------------|
|                                     | Balance<br>October 1,<br>2015 | Additions/<br>Adjustments | Transfers<br>from CIP/<br>(Disposition) | Balance<br>September 30,<br>2016 |
| PRIMARY GOVERNMENT                  |                               |                           |   |                                  |
| Governmental Direction and Support  |                               |                           |   |                                  |
| Finance                             | \$ 12,403                     | \$ 11,580                 | \$ -                                    | \$ 23,983                        |
| Legislative                         | 919                           | 458                       | -                                       | 1,377                            |
| Administrative                      | 53,935                        | 129,357                   | (37,388)                                | 145,904                          |
| Executive                           | 606                           | 251                       | -                                       | 857                              |
| Total                               | 67,863                        | 141,646                   | (37,388)                                | 172,121                          |
| Economic Development and Regulation |                               |                           |   |                                  |
| Community Development               | 32,090                        | 15,123                    | (705)                                   | 46,508                           |
| Economic Regulation                 | 2,334                         | 1,213                     | (213)                                   | 3,334                            |
| Employment Services                 | -                             | 888                       | -                                       | 888                              |
| Total                               | 34,424                        | 17,224                    | (918)                                   | 50,730                           |
| Public Safety and Justice           |                               |                           |   |                                  |
| Police                              | 4,323                         | 12,759                    | (7,114)                                 | 9,968                            |
| Fire                                | 5,473                         | 17,922                    | (5,914)                                 | 17,481                           |
| Corrections                         | 1,490                         | 3,689                     | (1,563)                                 | 3,616                            |
| Total                               | 11,286                        | 34,370                    | (14,591)                                | 31,065                           |
| Public Education System             |                               |                           |   |                                  |
| Schools                             | 484,655                       | 294,719                   | (516,817)                               | 262,557                          |
| Culture                             | 18,584                        | 32,831                    | (36,875)                                | 14,540                           |
| Total                               | 503,239                       | 327,550                   | (553,692)                               | 277,097                          |
| Human Support Services              |                               |                           |   |                                  |
| Health and Welfare                  | 97,217                        | 47,944                    | (4,131)                                 | 141,030                          |
| Recreation                          | 17,795                        | 53,909                    | (29,165)                                | 42,539                           |
| Human Relations                     | 179                           | 15                        | -                                       | 194                              |
| Total                               | 115,191                       | 101,868                   | (33,296)                                | 183,763                          |
| Public Works                        |                               |                           |   |                                  |
| Environmental                       | 593,615                       | 271,496                   | (359,979)                               | 505,132                          |
| Total                               | 593,615                       | 271,496                   | (359,979)                               | 505,132                          |
| Totals                              | \$ 1,325,618                  | \$ 894,154                | \$ (999,864)                            | \$ 1,219,908                     |

## 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, 2016, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$4.7 billion.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2016.

### B. ENTERPRISE ZONE FACILITY BONDS

Beginning January 1, 1998, businesses located in the District of Columbia Enterprise 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 Enterprise Zone Program has not been extended by Congress, since approximately December 2011. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. As of September 30, 2016, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$28.4 million.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2016.

### 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 liabilities 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 was released from escrow and fully repaid on June 1, 2016.

#### *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. The National Crime and Punishment Museum TIF Note was terminated on January 18, 2016 as a result of its lease termination. The Madame Tussauds TIF Note was fully repaid on December 1, 2015.

**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, 2016.

**Table N22 – Downtown Retail Priority Area TIF Notes**

| Issuance Date | Description            | Dollar Value/<br>Amount<br>(in \$000s) | Terms/Other<br>Comments                                    |
|---------------|------------------------|--|--|
| February 2011 | Forever 21<br>TIF Note | \$4,985                                | Matures on<br>February 1,<br>2021; Interest<br>Rate: 6.00% |
| May 2011      | Clyde's TIF<br>Note    | \$4,472                                | Matures on<br>December 1,<br>2021; Interest<br>Rate: 5.50% |

#### *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.

## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

### 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 TIF 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, 2016.

**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.

### 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 the 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 September 30, 2016, the monthly installment was \$203,339 (not in thousands).



## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

## 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, 2016, the total outstanding guaranteed amount under credit enhancement facility agreements was \$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 2016, the District did not make any payments in connection with the credit enhancement facility agreements. In addition, as of September 30, 2016, 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.

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 (in \$000s) | Effective Date | Termination Date  | Outstanding Amount at 9/30/2016 (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 (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 support the refinancing of construction costs of the Charles E. Young School Property  | SunTrust Bank                   | 1,000                        | 12/11/2015     | Earlier of: (1) the payment in full of all amounts owed to the lender under the loan agreement, or (2) on the fifteenth business day after the fifth anniversary of the date of execution of the guarantee  | 1,000                                       |
| Charter School Incubator Initiative         | Guarantee to facilitate funding for the costs of renovation and construction of the property located at 500 19th Street, NE, Washington, DC   | United Bank                     | 1,000                        | 10/28/2015     | Earlier of: (1) the payment in full of all amounts owed to the lender under the loan agreement, or (2) on the fifteenth business day after the fifth anniversary of the date of execution of the guarantee  | 1,000                                       |

## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

|  |  |                            |       |          |  |                 |
|--|--|----------------------------|-------|----------|--|-----------------|
| <b>Mamie D. Lee, LLC</b>                   | Guarantee to facilitate funding for the costs of renovation and construction of Mamie D. Lee School property | Low Income Investment Fund | 1,000 | 4/5/2016 | Earlier of: (1) the payment in full of all amounts owed to the lender under the loan agreement, or (2) on the fifteenth business day after the fifth anniversary of the date of execution of the guarantee | 1,000           |
| <b>Total Outstanding Guaranteed Amount</b> |  |                            |       |          |  | <b>\$ 5,000</b> |

### 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, 2016, under each TIF.

**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 9/30/2016* (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   |
|                |                   |               |               | <b>Total</b>       | <b>\$ 3,831</b>                                       |

\* 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.

Unless an extension is granted by DISB, at 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 are 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 2016, the District did not make any payments in connection with the District of Columbia Collateral Support Program. In addition, as of September 30, 2016, 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, 2016, the total outstanding guaranteed amount under cash collateral agreements by DCCSP was \$6.4 million.

**NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS**

Table N25b presents additional information regarding these guarantees.

**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 9/30/2016 (in \$000s) |
|--|------------------------------|------------------------------|----------------|--|--|---|
| Broughton 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  | 220   |
| 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  | 473   |
| Broughton 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  | 47  |
| 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  | 87  |
| Joon Hokim, Inc.                               | Term Loan                    | 139                          | 9/29/2014      | Premara Bank                               | 10/05/2019   | 134   |
| 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 | 463   |
| Savage and Associates Law Group, PC            | Line of Credit               | 125                          | 4/13/2015      | Bank of Georgetown                         | 03/31/2017   | 125   |
| Ivy and Coney, LLC                             | Term Loan                    | 100                          | 4/15/2015      | Revere Bank                                | 04/15/2020   | 100   |
| Elite Physical Therapy & Wellness Center, Inc. | Term Loan and Line of Credit | 61                           | 4/27/2015      | Industrial Bank                            | 04/27/2019   | 54  |
| Baked by Yael, LLC                             | Term Loan                    | 25                           | 6/8/2015       | Revere Bank                                | 06/08/2022   | 21  |
| First Choice Masonry, Inc.                     | Line of Credit               | 982                          | 8/13/2015      | Bank of Georgetown                         | 03/31/2017   | 982   |
| Jubilee Housing, Inc.                          | Line of Credit               | 450                          | 8/27/2015      | United Bank                                | 03/31/2017   | 225   |
| Union Kitchen, LLC                             | Line of Credit               | 75                           | 10/23/2015     | Revere Bank                                | 03/31/2017   | 75  |
| Hot Yoga Ivy City, LLC                         | Term Loan                    | 66                           | 11/9/2015      | Washington Area Community Investment, Inc. | 03/31/2017   | 66  |
| Solar Solution, LLC                            | Line of Credit               | 1,250                        | 6/10/2016      | First National Bank                        | 03/31/2017   | 1,250                                       |
| SwatchRoom, LLC                                | Line of Credit               | 150                          | 6/20/2016      | Columbo Bank                               | 03/31/2017   | 150   |
| Union Kitchen, LLC                             | Line of Credit               | 275                          | 6/22/2016      | Revere Bank                                | 03/31/2017   | 275   |
| David's Stars Child Development Center, Inc.   | Term Loan                    | 25                           | 9/6/2016       | Latino Economic Development Corporation    | 03/31/2017   | 25  |
| Ice Cream Jubilee, LLC                         | Term Loan                    | 75                           | 9/6/2016       | Revere Bank                                | 03/31/2017   | 75  |
| <b>Total outstanding guaranteed amount</b>     |                              |                              |                |  |  | <b>\$ 6,435</b>                             |

## NOTE 7. SHORT-TERM LIABILITIES

### TAX REVENUE ANTICIPATION NOTES

The District issued \$250,000 in Tax Revenue Anticipation Notes (TRANs) on December 2, 2015. 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, 2016, and the District paid the notes in their entirety by the statutorily required deadline of September 30, 2016.

**Table N26** presents the changes in short-term liabilities during fiscal year 2016.

**Table N26 – Changes in Short-Term Liabilities**

|                                | (Dollars in \$000s)           |            |              | Balance<br>September<br>30, 2016 |
|--------------------------------|-------------------------------|------------|--------------|----------------------------------|
|                                | Balance<br>October 1,<br>2015 | Additions  | Deductions   |                                  |
| <b>Governmental Activities</b> |                               |            |              |                                  |
| Tax Revenue Anticipation Notes | \$ -                          | \$ 250,000 | \$ (250,000) | \$ -                             |

## NOTE 8. LONG-TERM LIABILITIES

## A. LONG-TERM LIABILITIES

Long-term liabilities for the District's governmental activities and the business-type activities for the year ended September 30, 2016 are presented in **Table N27**.

**Table N27 – Summary of Long-Term Liabilities Outstanding as of September 30, 2016**

| (Dollars in \$000s)   |           |                  |
|---|-----------|------------------|
| Governmental Activities   |           | Outstanding      |
| <b>General Obligation (GO) Bonds:</b>   |           |                  |
| 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%   | \$        | 44,985           |
| Series 2004B, issued on December 8, 2004, in the amount of \$38,250; final maturity date: June 1, 2020; interest rate: MUNI-CPI Rate  |           | 9,460            |
| 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%    |           | 17,475           |
| 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%                  |           | 226,815          |
| 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%  |           | 236,125          |
| 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%   |           | 253,240          |
| 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%  |           | 113,135          |
| 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 rates ranging from 1.91% to 5.92%  |           | 107,150          |
| 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%   |           | 448,565          |
| 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 (1.20% as of September 30, 2016)   |           | 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 (thousand) to fund new capital projects; maturity date: June 1, 2027; variable rate bonds bearing interest at varying monthly rates (0.77% as of September 30, 2016) |           | 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%                     |           | 126,220          |
| 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           |
| Series 2016A, issued on June 23, 2016, in the amount of \$431,815, to finance capital project expenditures under the District's capital improvements plan; and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2036; interest rates ranging from 1.75% to 5.00%  |           | 431,815          |
| <b>Total General Obligation Bonds</b>   | <b>\$</b> | <b>3,829,305</b> |



## NOTE 8. LONG-TERM LIABILITIES

|  | <b>Outstanding</b> |
|--|--------------------|
| <b>Qualified Zone Academy Bonds (QZAB):</b>  |                    |
| Qualified Zone Academy Bonds, issued on December 28, 2005, in the amount of \$3,191; final maturity date: December 28, 2020 (non-interest bearing)   | \$ 887             |
| Qualified Zone Academy Bonds, issued on May 29, 2008, in the amount of \$2,360; final maturity date: December 1, 2017 (non-interest bearing)   | 472                |
| Qualified Zone Academy Bonds, issued on June 30, 2010, in the amount of \$4,140; final maturity date: December 1, 2024 (non-interest bearing)  | 2,486              |
| <b>Total Qualified Zone Academy Bonds</b>  | <b>\$ 3,845</b>    |
| <b>Income Tax Secured Revenue Bonds:</b>   |                    |
| 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%   | \$ 421,625         |
| 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%  | 236,300            |
| 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%   | 102,060            |
| 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%  | 41,345             |
| 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: 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             |
| 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%  | 127,325            |
| 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 General Obligation Bonds Series 2003A and 2003B; and (c) pay the costs and expenses of issuing and delivering the Series 2011B-C-D-E Bonds. As of September 30, 2016, Series 2011B, 2011C and 2011D were paid off. The outstanding balance is related to the Series 2011E, which has a final maturity of December 1, 2017; interest rates: variable equal to an adjusted SIFMA rate (1.59% as of September 30, 2016) | 56,525             |
| 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 rates ranging from 2.00% to 5.00%   | 360,850            |
| 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 rates ranging from 2.00% to 5.00%   | 293,845            |
| 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/Carrollburg Public Improvement Issue); final maturity date: December 1, 2037; interest rates ranging from 2.00% to 5.00%   | 723,155            |
| 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            |

**NOTE 8. LONG-TERM LIABILITIES**

|  |                     |
|--|---------------------|
| 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; interest rates: variable equal to an adjusted SIFMA rate (1.14% as of September 30, 2016)  | 58,160              |
| Series 2015A, issued on November 24, 2015, in the amount of \$95,575 to currently refund \$39,900 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011B, and \$55,220 of Series 2011E that matured December 1, 2015; and pay the costs and expenses of issuing and delivering the Series 2015A; final maturity date: December 1, 2016; interest rates: variable equal to an adjusted SIFMA rate (0.96% as of September 30, 2016)  | 95,575              |
| <b>Total Income Tax Secured Revenue Bonds</b>  | <b>\$ 4,240,155</b> |
| <b>Tobacco Settlement Asset-Backed Bonds:</b>  |                     |
| Series 2001, issued on February 1, 2001, in the amount of \$521,105; final maturity on May 15, 2040; interest rates ranging from 5.20% to 6.75%  | \$ 352,710          |
| Series 2006, issued on August 30, 2006, in the amount of \$248,264; final maturity on June 15, 2055; interest rates ranging from 6.25% to 7.25%  | 248,264             |
| <b>Total Tobacco Settlement Asset-Backed Bonds</b>   | <b>\$ 600,974</b>   |
| <b>Tax Increment Financing (TIF) Bonds:</b>  |                     |
| 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%  | \$ 44,755           |
| 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%  | 13,637              |
| City Market at O Street TIF Bonds, issued on November 17, 2011, in the amount of \$38,650; final maturity: June 1, 2041; interest rates ranging from 3.00% to 5.13%  | 38,430              |
| <b>Total Tax Increment Financing (TIF) Bonds</b>   | <b>\$ 96,822</b>    |
| <b>Ballpark Revenue Bonds:</b>   |                     |
| 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 rates ranging from 5.96% to 6.17%   | \$ 150,570          |
| Series 2006B-1, issued on May 15, 2006, \$354,965 (Tax-Exempt) to finance a portion of the cost of construction of the District's baseball stadium; final maturity date: February 1, 2036; interest rates ranging from 4.00% to 5.50%  | 220,735             |
| <b>Total Ballpark Revenue Bonds</b>  | <b>\$ 371,305</b>   |
| <b>Federal Highway Grant Anticipation Revenue Bonds (GARVEE):</b>  |                     |
| 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%  | \$ 61,070           |
| 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%  | 36,350              |
| <b>Total Federal Highway Grant Anticipation Revenue Bonds (GARVEE)</b>   | <b>\$ 97,420</b>    |
| <b>Deed Tax Revenue Bonds (Housing Production Trust Fund Program):</b>   |                     |
| 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%  | \$ 28,360           |
| 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 5.00%   | 47,685              |
| 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%   | 36,920              |
| <b>Total Deed Tax Revenue Bonds (Housing Production Trust Fund Program)</b>  | <b>\$ 112,965</b>   |
| <b>PILOT Revenue Bonds and Notes:</b>  |                     |
| 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%   | \$ 54,675           |
| 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 cumulative draw-downs as of September 30, 2016 is \$18,067 | 14,093              |

## NOTE 8. LONG-TERM LIABILITIES

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             |
| <b>Total PILOT Revenue Bonds and Notes</b> | <b>\$ 214,213</b>   |
| <b>Total Bonds and Notes</b>               | <b>\$ 9,567,004</b> |

### Other Long-Term Liabilities:

|  |                      |
|--|----------------------|
| 225 Virginia Avenue lease                                    | \$ 89,531            |
| Premium on long-term debt                                    | 580,293              |
| Equipment financing program                                  | 61,139               |
| Accreted interest  | 235,721              |
| Capital leases   | 1,837                |
| Long-term tax refunds  | 135,566              |
| Long-term payroll accrual                                    | 10,538               |
| Annual leave   | 170,205              |
| Disability compensation                                      | 130,438              |
| Grant disallowances  | 15,189               |
| Claims and judgments   | 145,974              |
| <b>Total Other Long-Term Liabilities</b>                     | <b>\$ 1,576,431</b>  |
| <b>Total Long-Term Liabilities – Governmental Activities</b> | <b>\$ 11,143,435</b> |

### Business-Type Activities

|   | <b>Outstanding</b> |
|---|--------------------|
| Obligation for unpaid prizes, D.C. Lottery and Charitable Games Control Board | \$ 2,336           |
| Compensated Absences  | 443                |
| <b>Total Long-Term Liabilities – Business-Type Activities</b>                 | <b>\$ 2,779</b>    |

## NOTE 8. LONG-TERM LIABILITIES

## 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, 2016.

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

| (Dollars in \$000s)         |                     |                     |                     |
|-----------------------------|---------------------|---------------------|---------------------|
| General Obligation Bonds    |                     |                     |                     |
| Year Ending<br>September 30 | Principal           | Interest            | Total               |
| 2017                        | \$ 130,055          | \$ 181,560          | \$ 311,615          |
| 2018                        | 122,340             | 176,512             | 298,852             |
| 2019                        | 136,365             | 170,258             | 306,623             |
| 2020                        | 178,480             | 163,238             | 341,718             |
| 2021                        | 168,120             | 154,303             | 322,423             |
| 2022-2026                   | 762,040             | 655,032             | 1,417,072           |
| 2027-2031                   | 774,310             | 478,324             | 1,252,634           |
| 2032-2036                   | 1,000,310           | 261,351             | 1,261,661           |
| 2037-2041                   | 557,285             | 49,800              | 607,085             |
| <b>Total</b>                | <b>\$ 3,829,305</b> | <b>\$ 2,290,378</b> | <b>\$ 6,119,683</b> |

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

| (Dollars in \$000s)         |                   |
|-----------------------------|-------------------|
| Year Ending<br>September 30 | QZAB<br>Principal |
| 2017                        | \$ 690            |
| 2018                        | 690               |
| 2019                        | 454               |
| 2020                        | 454               |
| 2021                        | 454               |
| 2022-2026                   | 1,103             |
| <b>Total</b>                | <b>\$ 3,845</b>   |

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

| (Dollars in \$000s)              |                     |                     |                     |
|----------------------------------|---------------------|---------------------|---------------------|
| Income Tax Secured Revenue Bonds |                     |                     |                     |
| Year Ending<br>September 30      | Principal           | Interest            | Total               |
| 2017                             | \$ 119,300          | \$ 203,980          | \$ 323,280          |
| 2018                             | 159,040             | 197,865             | 356,905             |
| 2019                             | 186,000             | 190,183             | 376,183             |
| 2020                             | 158,800             | 182,605             | 341,405             |
| 2021                             | 171,165             | 175,124             | 346,289             |
| 2022-2026                        | 1,228,140           | 717,096             | 1,945,236           |
| 2027-2031                        | 1,225,880           | 396,294             | 1,622,174           |
| 2032-2036                        | 853,970             | 131,383             | 985,353             |
| 2037-2038                        | 137,860             | 5,302               | 143,162             |
| <b>Total</b>                     | <b>\$ 4,240,155</b> | <b>\$ 2,199,832</b> | <b>\$ 6,439,987</b> |

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

| (Dollars in \$000s)         |                   |                     |                     |
|-----------------------------|-------------------|---------------------|---------------------|
| Tobacco Bonds               |                   |                     |                     |
| Year Ending<br>September 30 | Principal         | Interest            | Total               |
| 2017                        | \$ 35,060         | \$ 23,395           | \$ 58,455           |
| 2018                        | 23,600            | 21,116              | 44,716              |
| 2019                        | 25,755            | 19,582              | 45,337              |
| 2020                        | 28,070            | 17,908              | 45,978              |
| 2021                        | 30,530            | 16,083              | 46,613              |
| 2022-2026                   | 209,695           | 48,915              | 258,610             |
| 2042-2046                   | 159,733           | 1,697,592           | 1,857,325           |
| 2052-2055                   | 88,531            | 2,478,469           | 2,567,000           |
| <b>Total</b>                | <b>\$ 600,974</b> | <b>\$ 4,323,060</b> | <b>\$ 4,924,034</b> |

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

| (Dollars in \$000s)         |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|
| Gallery Place               |                  |                  |                  |
| Year Ending<br>September 30 | Principal        | Interest         | Total            |
| 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                        | 2,520            | 1,791            | 4,311            |
| 2022-2026                   | 14,625           | 6,931            | 21,556           |
| 2027-2031                   | 18,665           | 2,891            | 21,556           |
| <b>Total</b>                | <b>\$ 44,755</b> | <b>\$ 19,921</b> | <b>\$ 64,676</b> |

## NOTE 8. LONG-TERM LIABILITIES

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

(Dollars in \$000s)

| Mandarin Oriental Hotel     |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|
| Year Ending<br>September 30 | Principal        | Interest         | Total            |
| 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                        | 2,954            | 1,555            | 4,509            |
| 2022                        | 4,280            | 224              | 4,504            |
| <b>Total</b>                | <b>\$ 13,637</b> | <b>\$ 13,399</b> | <b>\$ 27,036</b> |

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

(Dollars in \$000s)

| City Market at O Street     |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|
| Year Ending<br>September 30 | Principal        | Interest         | Total            |
| 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                        | 625              | 1,817            | 2,442            |
| 2022-2026                   | 5,400            | 8,562            | 13,962           |
| 2027-2031                   | 7,890            | 6,996            | 14,886           |
| 2032-2036                   | 10,025           | 4,857            | 14,882           |
| 2037-2041                   | 12,840           | 2,040            | 14,880           |
| <b>Total</b>                | <b>\$ 38,430</b> | <b>\$ 31,692</b> | <b>\$ 70,122</b> |

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

(Dollars in \$000s)

| Ballpark Bonds              |                   |                   |                   |
|-----------------------------|-------------------|-------------------|-------------------|
| Year Ending<br>September 30 | Principal         | Interest          | Total             |
| 2017                        | \$ 1,880          | \$ 20,237         | \$ 22,117         |
| 2018                        | 9,835             | 19,921            | 29,756            |
| 2019                        | 10,875            | 19,377            | 30,252            |
| 2020                        | 3,055             | 18,999            | 22,054            |
| 2021                        | 3,510             | 18,798            | 22,308            |
| 2022-2026                   | 64,820            | 87,019            | 151,839           |
| 2027-2031                   | 128,165           | 59,439            | 187,604           |
| 2032-2036                   | 149,165           | 19,566            | 168,731           |
| <b>Total</b>                | <b>\$ 371,305</b> | <b>\$ 263,356</b> | <b>\$ 634,661</b> |

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

(Dollars in \$000s)

| Federal Highway Grant Anticipation Revenue Bonds |                  |                  |                   |
|--|------------------|------------------|-------------------|
| Year Ending<br>September 30                      | Principal        | Interest         | Total             |
| 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   | 8,640            | 3,127            | 11,767            |
| 2022-2026  | 50,225           | 8,613            | 58,838            |
| 2027-2028  | 7,595            | 384              | 7,979             |
| <b>Total</b>                                     | <b>\$ 97,420</b> | <b>\$ 28,254</b> | <b>\$ 125,674</b> |

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

(Dollars in \$000s)

| Housing Production Trust    |                   |                  |                   |
|-----------------------------|-------------------|------------------|-------------------|
| Year Ending<br>September 30 | Principal         | Interest         | Total             |
| 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                        | 3,275             | 4,551            | 7,826             |
| 2022-2026                   | 18,950            | 20,166           | 39,116            |
| 2027-2031                   | 23,675            | 15,439           | 39,114            |
| 2032-2036                   | 29,345            | 9,777            | 39,122            |
| 2037-2041                   | 23,850            | 3,256            | 27,106            |
| 2042                        | 2,165             | 87               | 2,252             |
| <b>Total</b>                | <b>\$ 112,965</b> | <b>\$ 72,876</b> | <b>\$ 185,841</b> |



**NOTE 8. LONG-TERM LIABILITIES****Table N38 – Debt Service Requirements to Maturity – Anacostia Waterfront Corporation PILOT Revenue Bonds**

(Dollars in \$000s)

| Anacostia Waterfront Corporation |                  |                 |                  |
|----------------------------------|------------------|-----------------|------------------|
| Year Ending<br>September 30      | Principal        | Interest        | Total            |
| 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                             | 9,685            | 767             | 10,452           |
| 2022                             | 9,900            | 221             | 10,121           |
| <b>Total</b>                     | <b>\$ 54,675</b> | <b>\$ 8,104</b> | <b>\$ 62,779</b> |

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

(Dollars in \$000s)

| The Yards Project           |                  |               |                  |
|-----------------------------|------------------|---------------|------------------|
| Year Ending<br>September 30 | Principal        | Interest      | Total            |
| 2017                        | \$ -             | \$ 300        | \$ 300           |
| 2018                        | -                | 300           | 300              |
| 2019                        | -                | 300           | 300              |
| 2020                        | 14,093           | 75            | 14,168           |
| <b>Total</b>                | <b>\$ 14,093</b> | <b>\$ 975</b> | <b>\$ 15,068</b> |

**Table N40 – Debt Service Requirements to Maturity – Southwest Waterfront Project Revenue Bonds (The Wharf)**

(Dollars in \$000s)

| The Wharf Project           |                   |                   |                   |
|-----------------------------|-------------------|-------------------|-------------------|
| Year Ending<br>September 30 | Principal         | Interest          | Total             |
| 2017                        | \$ -              | \$ 6,636          | \$ 6,636          |
| 2018                        | -                 | 6,636             | 6,636             |
| 2019                        | -                 | 6,636             | 6,636             |
| 2020                        | 4,330             | 6,636             | 10,966            |
| 2021                        | 4,350             | 6,514             | 10,864            |
| 2022-2026                   | 25,735            | 30,106            | 55,841            |
| 2027-2031                   | 31,575            | 24,371            | 55,946            |
| 2032-2036                   | 39,820            | 16,118            | 55,938            |
| 2037-2040                   | 39,635            | 5,118             | 44,753            |
| <b>Total</b>                | <b>\$ 145,445</b> | <b>\$ 108,771</b> | <b>\$ 254,216</b> |

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

(Dollars in \$000s)

| 225 Virginia Avenue, LLC    |                  |                  |                   |
|-----------------------------|------------------|------------------|-------------------|
| Year Ending<br>September 30 | Principal        | Interest         | Total             |
| 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                        | 4,362            | 4,911            | 9,273             |
| 2022-2026                   | 26,812           | 19,557           | 46,369            |
| 2027-2031                   | 37,539           | 8,829            | 46,368            |
| 2032                        | 6,029            | 154              | 6,183             |
| <b>Total</b>                | <b>\$ 89,531</b> | <b>\$ 55,757</b> | <b>\$ 145,288</b> |

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

(Dollars in \$000s)

| Equipment Financing         |                  |                 |                  |
|-----------------------------|------------------|-----------------|------------------|
| Year Ending<br>September 30 | Principal        | Interest        | Total            |
| 2017                        | \$ 26,397        | \$ 1,047        | \$ 27,444        |
| 2018                        | 18,690           | 564             | 19,254           |
| 2019                        | 11,614           | 230             | 11,844           |
| 2020                        | 4,438            | 48              | 4,486            |
| <b>Total</b>                | <b>\$ 61,139</b> | <b>\$ 1,889</b> | <b>\$ 63,028</b> |

## 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, 2016. 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 88.

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

| (Dollars in \$000s)         |                   |                  |                             |                   |
|-----------------------------|-------------------|------------------|-----------------------------|-------------------|
| Year Ending<br>September 30 | Principal         | Interest         | Hedging<br>Derivatives, Net | Total             |
| 2017                        | \$ 8,200          | \$ 2,598         | \$ 9,306                    | \$ 20,104         |
| 2018                        | 8,570             | 2,493            | 9,041                       | 20,104            |
| 2019                        | 8,960             | 2,386            | 8,807                       | 20,153            |
| 2020                        | 43,270            | 2,270            | 8,435                       | 53,975            |
| 2021                        | 44,320            | 1,788            | 7,080                       | 53,188            |
| 2022-2026                   | 152,575           | 4,798            | 19,735                      | 177,108           |
| 2027-2029                   | 32,000            | 186              | 1,046                       | 33,232            |
| <b>Total</b>                | <b>\$ 297,895</b> | <b>\$ 16,519</b> | <b>\$ 63,450</b>            | <b>\$ 377,864</b> |

### C. LONG-TERM DEBT ACTIVITY DURING FISCAL YEAR

**Table N44** presents long-term debt activity for the year ended September 30, 2016:

**Table N44 – Long-Term Debt Activity**

|  | (Dollars in \$000s)   |            |              |                       |                        |
|--|-----------------------|------------|--------------|-----------------------|------------------------|
|  | September<br>30, 2015 | Additions  | Reductions   | September<br>30, 2016 | Due Within<br>One Year |
| <b>Governmental activities:</b>                                |                       |            |              |                       |                        |
| General obligation bonds                                       | \$ 3,530,770          | \$ 431,815 | \$ (133,280) | \$ 3,829,305          | \$ 130,055             |
| QZAB   | 4,791                 | -          | (946)        | 3,845                 | 690                    |
| Income tax secured revenue bonds                               | 4,327,855             | 95,575     | (183,275)    | 4,240,155             | 119,300                |
| Tobacco settlement asset-backed bonds                          | 616,404               | -          | (15,430)     | 600,974               | 35,060                 |
| Tax increment financing bonds                                  | 100,895               | -          | (4,073)      | 96,822                | 4,136                  |
| Ballpark revenue bonds   | 467,360               | -          | (96,055)     | 371,305               | 1,880                  |
| Federal highway grant anticipation revenue bonds (GARVEE)      | 104,395               | -          | (6,975)      | 97,420                | 7,250                  |
| Deed tax revenue bonds (housing production trust fund program) | 115,565               | -          | (2,600)      | 112,965               | 2,725                  |
| PILOT revenue bonds  | 215,647               | 8,615      | (10,049)     | 214,213               | 8,200                  |
| 225 Virginia Avenue lease                                      | 92,646                | -          | (3,115)      | 89,531                | 3,333                  |
| Premium on long-term debt                                      | 586,507               | 84,235     | (90,449)     | 580,293               | 55,251                 |
| Equipment financing program                                    | 86,717                | 11,368     | (36,946)     | 61,139                | 26,397                 |
| Accreted interest  | 207,315               | 28,406     | -            | 235,721               | -                      |
| Capital leases   | 5,105                 | -          | (3,268)      | 1,837                 | 1,837                  |
| Long-term tax refunds  | 88,442                | 50,724     | (3,600)      | 135,566               | -                      |
| Long-term payroll accrual                                      | 10,686                | -          | (148)        | 10,538                | -                      |
| Annual leave   | 160,949               | 9,501      | (245)        | 170,205               | 168,264                |
| Disability compensation  | 127,537               | 20,130     | (17,229)     | 130,438               | -                      |
| Grant disallowances  | 70,000                | -          | (54,811)     | 15,189                | -                      |
| Claims and judgments   | 201,309               | 90,047     | (145,382)    | 145,974               | -                      |
| OPEB liability   | 10,006                | -          | (10,006)     | -                     | -                      |
| Total long-term liabilities - Governmental activities          | \$ 11,130,901         | \$ 830,416 | \$ (817,882) | \$ 11,143,435         | \$ 564,378             |
| <b>Business-Type activities:</b>                               |                       |            |              |                       |                        |
| Obligation for unpaid prizes                                   | \$ 3,422              | \$ -       | \$ (1,086)   | \$ 2,336              | \$ 807                 |
| Compensated absences   | 439                   | 4          | -            | 443                   | -                      |
| Total long-term liabilities - Business-Type activities         | \$ 3,861              | \$ 4       | \$ (1,086)   | \$ 2,779              | \$ 807                 |

## NOTE 8. LONG-TERM LIABILITIES

## NEW BOND ISSUANCES

## General Obligation Bonds

In June 2016, the District issued \$431,815 in General Obligation Bonds, Series 2016A. 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 the principal of and interest on the Bonds when due. The Bonds are further secured by a security interest in the revenue 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 2016A Bonds were used to finance capital project expenditures under the District's capital improvements plan, and pay the costs and expenses of issuing and delivering the Bonds. The interest rates pertaining to the Series 2016A Bonds range between 1.75% and 5.00%.

## Income Tax Secured Revenue 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 currently refund \$39,900 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate) and currently refund \$55,220 of the District's Income Tax Secured Revenue Refunding, Series 2011E (Adjusted SIFMA Rate) that matured December 1, 2015, and 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 was 0.96% as of September 30, 2016.

## 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 4.95% in fiscal year 2016. The weighted average interest rate on the District's variable rate bonds for fiscal year 2016 was 0.64%.

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

During fiscal year 2016, the District collected \$2,464,330 in Income and Business Franchise Taxes. Of this amount, \$371,712, or 15.08%, was held in the General Fund for the payment of debt service on outstanding Income Tax Secured Revenue Bonds in fiscal year 2017. The anticipated debt service amount for fiscal year 2017 is \$323,280. Therefore, total available tax revenues collected and set aside in the Fund in fiscal year 2016 covers the total amount of anticipated debt service for fiscal year 2017 as

presented in Table N45:

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

**Available Tax Revenues Collected in FY 2016**

(Dollars in \$000s)

|                                   |           |                  |
|-----------------------------------|-----------|------------------|
| Individual Income                 | \$        | 1,907,862        |
| Business Franchise                |           | 556,468          |
| <b>Total</b>                      | <b>\$</b> | <b>2,464,330</b> |
| Amount Held in Escrow for FY 2017 |           |                  |
| Debt Service                      | (a)       | 371,712          |
| FY 2017 Debt Service Amount       | (b)       | 323,280          |
| <b>Rate of Coverage</b>           |           | <b>115%</b>      |
| <b>(c)=(a)/(b)</b>                |           |                  |

In fiscal year 2016, debt service on the Income Tax Secured Revenue Bonds totaled \$267,857. The debt service coverage ratio was 9.20 to 1: Total available taxes of \$2,464,330, divided by FY 2016 debt service of \$267,857.

## REFUNDINGS AND BOND DEFEASANCES

On November 24, 2015, the District issued \$95,575 in Income Tax Secured Revenue Refunding Bonds, Series 2015A. The proceeds of the Series 2015A Income Tax Secured Revenue Refunding Adjusted SIFMA Rate bonds were used to current refund the Series 2011B and 2011E Income Tax Secured Revenue Refunding Adjusted SIFMA Rate bonds that matured December 1, 2015. As a result of this refunding, the stated maturities of the Series 2011B and 2011E bonds were both extended to December 1, 2016 while maintaining the bonds' planned amortization. Although this current refunding resulted in the defeasance of the outstanding Series 2011B bonds and 50% of the outstanding Series 2011E bonds, the economic gain or loss and the aggregate difference in debt service cannot be determined. Such determination could not be made because both the refunded debt and the refunding bonds have variable interest rates, which complicate the completion of accurate calculations.

As of September 30, 2016, the total amount of defeased debt outstanding held by the escrow agent was \$10,195. This amount has been removed from the government-wide financial statements.

## REDEMPTION: BALLPARK REVENUE BONDS

In fiscal year 2016, the District paid \$96,055 in principal payments on the outstanding Ballpark Revenue Bonds, Series 2006A and 2006B-1. The payment includes \$88,130 in addition to the minimum principal payment requirements. These additional payments were possible because the 2006B-1 bonds became callable in 2016. The additional payments were made from surplus revenues dedicated to the Ballpark Revenue Bonds.

## NOTE 8. LONG-TERM LIABILITIES

### GENERAL OBLIGATION DIRECT PURCHASE BOND PROGRAM

Direct purchase bonds are another form of debt financing in which the bonds are privately placed with

a financial institution. This source of funding may be used in lieu of a public offering through a negotiated or competitive transaction. The District did not issue any direct purchase bonds in fiscal year 2016.

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

**Table N46 – General Obligation Direct Purchase Bonds**

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

### 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, 2016, the District had financed approximately \$537 million of its capital equipment needs through the Master Equipment Lease Purchase Program since inception, and had approximately \$61.14 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 3.93%.

#### 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, 2016, MUSL purchased for the Lottery, U.S. government securities totaling \$2,410 to fund future installment payments to winners. The market value of these securities as of September 30, 2016, was \$2,336. The Lottery has reflected the fair 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 5.00%. 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 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.



## NOTE 8. LONG-TERM LIABILITIES

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)         |                   |                   |                   |
|-----------------------------|-------------------|-------------------|-------------------|
| Year Ending<br>September 30 | Principal         | Interest          | Total             |
| 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                        | 24,545            | 26,885            | 51,430            |
| 2022-2026                   | 143,135           | 114,479           | 257,614           |
| 2027-2031                   | 195,450           | 71,873            | 267,323           |
| 2032-2036                   | 67,335            | 36,214            | 103,549           |
| 2037-2040                   | 86,995            | 10,742            | 97,737            |
| <b>Subtotal</b>             | <b>602,900</b>    | <b>379,062</b>    | <b>981,962</b>    |
| Add:                        |                   |                   |                   |
| Unamortized Bond            |                   |                   |                   |
| Premium - Net               | 10,299            | -                 | 10,299            |
| <b>Total</b>                | <b>\$ 613,199</b> | <b>\$ 379,062</b> | <b>\$ 992,261</b> |

### 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 and notes do not constitute debt of and are not guaranteed by the District or any other program of the District. All mortgage revenue bonds for multifamily projects financed to date have been issued by the Agency as standalone pass-through financings with no direct economic recourse to the Agency as the 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 can 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.

### Bond Issuances in Fiscal Year 2016

During fiscal years 2010 through 2016, 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 2016, refer to the separately issued financial statements for that year. The contact information can be found in Note 1 on page 61.

**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<br>September 30 | Principal           | Interest          | Total               |
| 2017                        | \$ 68,808           | \$ 42,283         | \$ 111,091          |
| 2018                        | 14,954              | 41,083            | 56,037              |
| 2019                        | 64,492              | 39,998            | 104,490             |
| 2020                        | 15,165              | 39,070            | 54,235              |
| 2021                        | 15,895              | 38,361            | 54,256              |
| 2022-2026                   | 96,554              | 180,013           | 276,567             |
| 2027-2031                   | 114,919             | 157,829           | 272,748             |
| 2032-2036                   | 186,200             | 121,072           | 307,272             |
| 2037-2041                   | 113,024             | 93,485            | 206,509             |
| 2042-2046                   | 177,582             | 70,140            | 247,722             |
| 2047-2051                   | 198,901             | 22,513            | 221,414             |
| 2052-2056                   | 72,306              | 1,480             | 73,786              |
| <b>Subtotal</b>             | <b>1,138,800</b>    | <b>847,327</b>    | <b>1,986,127</b>    |
| Add:                        |                     |                   |                     |
| Unamortized Bond            |                     |                   |                     |
| Premium - Net               | 2,121               | -                 | 2,121               |
| <b>Total</b>                | <b>\$ 1,140,921</b> | <b>\$ 847,327</b> | <b>\$ 1,988,248</b> |



## 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 2016, there were 1,649 District employees who were covered by CSRS. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at [www.opm.gov](http://www.opm.gov).

##### **Funding Policy**

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, 2016, 2015, and 2014, were \$9,594, \$10,240, and \$11,030, respectively.

#### *Social Security System*

##### **Plan Description**

The District also contributes to the federal government's Social Security System, a program that provides benefits for retirement, disability, survivorship, and death, which is funded by dedicated payroll taxes. The Social Security Administration and the U.S. Departments of Health and Human Services, Labor, and the Treasury administer this program. The authority to establish and amend policy and benefit provisions rests with the President and Congress of the United States.

##### **Funding Policy**

Consistent with the Federal Insurance Contributions Act (FICA), a 6.20% Social Security tax is to be withheld from the gross salary/wages of District employees, up to but not exceeding the applicable social security wage base, which was \$118,500 (not in thousands) for 2016, 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 as the employee's portion of the Medicare tax.

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, 2016, 2015 and 2014, were \$89,350, \$81,295, and \$75,062, respectively. In addition, District contributions for Medicare for fiscal years 2016, 2015 and 2014 were \$35,670, \$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

## NOTE 9. RETIREMENT PROGRAMS

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 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

## NOTE 9. RETIREMENT PROGRAMS

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, 2016 and 2015.

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

| TRF *   | 2016          | 2015         |
|---|---------------|--------------|
| Inactive plan members<br>(Retirees and survivors<br>receiving benefits - post-June<br>30, 1997) | 3,882         | 3,718        |
| Active plan members   | 5,141         | 4,866        |
| Vested terminations   | 1,176         | 1,152        |
| <b>Total</b>  | <b>10,199</b> | <b>9,736</b> |

| POFRF *   | 2016         | 2015         |
|---|--------------|--------------|
| Inactive plan members<br>(Retirees and survivors<br>receiving benefits - post-June<br>30, 1997) | 3,003        | 2,609        |
| Active plan members   | 5,359        | 5,537        |
| Vested terminations   | 293          | 319          |
| <b>Total</b>  | <b>8,655</b> | <b>8,465</b> |

\* 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 2016 and 2015 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 2016 and 2015. 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 Contributions to the District Retirement Funds**

| Fiscal Year Ended  | (in \$000s) |            |
|--------------------|-------------|------------|
|                    | TRF         | POFRF      |
| September 30, 2016 | \$ 44,469   | \$ 136,115 |
| September 30, 2015 | 39,513      | 103,430    |

### Net Pension Liability

The District's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015. **Table N50** presents the aggregate amounts of the District Retirement Funds as of September 30, 2016.

**Table N50 – District Retirement Funds' Aggregate Amounts**

| Description                      | (in \$000s)  |              |
|----------------------------------|--------------|--------------|
|                                  | TRF          | POFRF        |
| Total pension liabilities        | \$ 2,064,138 | \$ 4,675,562 |
| Pension net position             | 1,821,949    | 4,954,631    |
| Deferred outflows of resources   | 111,765      | 289,826      |
| Deferred inflows of resources    | 40,211       | 188,370      |
| Pension expense                  | 75,055       | 218,262      |
| Net pension liabilities (Assets) | 242,189      | (279,069)    |

**Actuarial Assumptions:** The total pension liability was determined based on an actuarial valuation as of October 1, 2015, 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, 2016. **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 as of September 30, 2016**

|                           | TRF   | POFRF  |
|---------------------------|---|--|
| Inflation                 | 3.50%   | 3.50%  |
| Salary increases          | 4.45% - 8.25%, including wage inflation of 4.25%  | 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, 2015 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%                                  |
| Treasury Inflation-Protected Securities (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%                                  |
| Infrastructure                                 | 2.00%             | 5.70%                                  |
| Private Equity                                 | 8.00%             | 7.30%                                  |
| Hedge Funds                                    | 10.00%            | 3.40%                                  |
| Total  | 100.00%           |  |

**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



## NOTE 9. RETIREMENT PROGRAMS

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.

**Table N53** presents changes in the District's Net Pension Liability for the year ended September 30, 2016.

Table N53 – Changes in Net Pension Liability

|  | Increase (Decrease)<br>(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) |
| <b>Balances at 9/30/2015</b>                                 | \$ 1,950,811                       | \$ 1,670,638                    | \$ 280,173                    | \$ 4,383,413                                       | \$ 4,461,998                    | \$ (78,585)                   |
| <b>Changes for the year</b>                                  |                                    |                                 |                               |  |                                 |                               |
| Service Cost   | 61,599                             | -                               | 61,599                        | 198,020  | -                               | 198,020                       |
| Interest   | 124,370                            | -                               | 124,370                       | 282,285  | -                               | 282,285                       |
| Difference between expected and actual experience            | 2,656                              | -                               | 2,656                         | (106,840)  | -                               | (106,840)                     |
| Contributions - employer                                     | -                                  | 44,469                          | (44,469)                      | -  | 136,115                         | (136,115)                     |
| Contributions - employees                                    | -                                  | 33,591                          | (33,591)                      | -  | 32,785                          | (32,785)                      |
| Net Investment Income  | -                                  | 152,262                         | (152,262)                     | -  | 415,157                         | (415,157)                     |
| Benefit payments including refunds of employee contributions | (75,298)                           | (75,298)                        | -                             | (81,316)   | (81,316)                        | -                             |
| Administrative Expenses                                      | -                                  | (4,746)                         | 4,746                         | -  | (12,918)                        | 12,918                        |
| Other Income   | -                                  | 1,033                           | (1,033)                       | -  | 2,810                           | (2,810)                       |
| Net Changes  | 113,327                            | 151,311                         | (37,984)                      | 292,149  | 492,633                         | (200,484)                     |
| <b>Balances at 9/30/2016</b>                                 | <b>\$ 2,064,138</b>                | <b>\$ 1,821,949</b>             | <b>\$ 242,189</b>             | <b>\$ 4,675,562</b>                                | <b>\$ 4,954,631</b>             | <b>\$ (279,069)</b>           |

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:** Table N54 presents the net pension liability (asset) of the Plans, for TRF and POFRF, respectively, calculated using the discount rate of 6.50%, as well as the Plans' net

pension liability (asset), 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 (Asset) to Changes in the Discount Rate

|   | (in \$000s)            |                                     |                        |
|---|------------------------|-------------------------------------|------------------------|
|   | 1% Decrease<br>(5.50%) | Current Discount<br>Rate<br>(6.50%) | 1% Increase<br>(7.50%) |
| Teachers' Plan's Net Pension Liability (Asset)                          | \$ 571,400             | \$ 242,189                          | \$ (36,976)            |
| Police Officers' and Firefighters' Plan's Net Pension Liability (Asset) | \$ 532,621             | \$ (279,069)                        | \$ (943,216)           |

**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, 2016, the District recognized pension expense of \$75,055 and \$218,262 for TRF and POFRF, respectively. **Table N55** presents deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2016.



## 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                       | \$ 1,524                       | \$ 3,220                      | \$ -                           | \$ 85,891                     |
| Changes of assumptions   | -                              | -                             | -                              | -                             |
| Net difference between projected and actual earnings on plan investments | 110,241                        | 36,991                        | 289,826                        | 102,479                       |
| <b>Total</b>   | <b>\$ 111,765</b>              | <b>\$ 40,211</b>              | <b>\$ 289,826</b>              | <b>\$ 188,370</b>             |

**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 Amortization of Deferred Inflows and Deferred Outflows of Resources (District Retirement Funds)**

| Year Ending September 30: | (in \$000s) |           |
|---------------------------|-------------|-----------|
|                           | TRF         | POFRF     |
| 2017                      | \$ 26,619   | \$ 47,884 |
| 2018                      | 26,684      | 47,884    |
| 2019                      | 27,499      | 47,884    |
| 2020                      | (9,248)     | (41,650)  |
| 2021                      | -           | (322)     |
| 2022                      | -           | (224)     |

**Payable to the Pension Plans**

The District's contributions for fiscal years 2016, 2015, and 2014 were equal to the fund's independent actuary's recommendation; therefore, there were no outstanding amounts due to the plans as of September 30, 2016.

**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 2016, there were 17,222 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, 2016, 2015, and 2014, District contributions to the plan were \$60,382, \$54,174, and \$50,274, 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.

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**NOTE 9. RETIREMENT PROGRAMS**

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**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 (thousand) of their annual compensation for calendar year 2016. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) \$3 (thousand) in additional contributions; (b) \$15 (thousand) reduced by amounts contributed under this special provision in prior years; or (c) \$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 (thousand) in 2016. District employees contributed \$20,226 to this annuity plan in fiscal year 2016. 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 (thousand) or 100% of includable compensation in calendar year 2016. 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 (thousand); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of \$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, 2016, there were 11,679 employees participating in the Section 457 plan. District employees contributed \$54,356 to this plan in fiscal year 2016. Contributions are not assets of the District, and the District has no further liability to the plan.

## NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### 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 Plan and Police and Firefighters Retirement Plan 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 850  
Washington, DC 20024

State Street serves as the Master Custodian for the OPEB 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. Investments are reported at fair value

in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

- 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 actuarial valuation of the plan's assets and liabilities using GASB Statement No. 43 parameters was performed in fiscal year 2014, and the District pays contributions based on an actuarially determined valuation using the parameters of GASB Statement No. 45 in fiscal year 2015, as presented in the Schedule of Employer Contributions.

For fiscal year 2016, the District contributed \$29 million to the plan and retiree (participant) contributions totaled \$430,587 (not in thousands).

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

## NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 Officers or Firefighters 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; Covered family members of police officers or firefighters who were hired before November 10, 1996 pay 40% of the cost of the selected health benefit plan.

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.

- 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 30 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 obligation to the plan.

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

|                               |   |
|-------------------------------|---|
| Valuation Date                | September 30, 2015 (projected from September 30, 2014 census)                   |
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level percent of pay, closed  |
| Remaining Amortization Period | 20 years beginning with fiscal year end 2016                                    |
| Asset Valuation Method        | Market Value  |
| Actuarial Assumptions:        |   |
| Investment Rate of Return     | 6.50%   |
| Discount Rate                 | 6.50%   |
| Rate of Salary Increases      | 3.50% (plus merit scale)  |
| Rate of Medical Inflation     | 7.20% (grading down to 3.90% in 2040, using the SOA Getzen Medical Trend Model) |

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)****Table N58 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations**

|  | FY 2016<br>(in \$000s) | FY 2015<br>(in \$000s) | FY 2014<br>(in \$000s) |
|--|------------------------|------------------------|------------------------|
| Annual required contribution               | \$ 29,000              | \$ 91,400              | \$ 86,600              |
| Interest on net OPEB obligation            | 700                    | 700                    | 700                    |
| Adjustment to annual required contribution | (10,706)               | (700)                  | (600)                  |
| Annual OPEB cost (expense)                 | 18,994                 | 91,400                 | 86,700                 |
| Contributions made                         | 29,000                 | 91,400                 | 86,600                 |
| Change in net OPEB obligation              | 10,006                 | -                      | (100)                  |
| Net OPEB obligation – beginning of year    | (10,006)               | (10,006)               | (9,906)                |
| Net OPEB obligation – end of year*         | \$ -                   | \$ (10,006)            | \$ (10,006)            |

\* No net OPEB obligations in FY 2016 because OPEB is overfunded per the actuarial report

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 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 2014 through 2016)**

| Fiscal Year Ended | Annual OPEB Cost (millions) | % Of Annual OPEB Cost Contributed | Net OPEB Obligation (millions)* |
|-------------------|-----------------------------|-----------------------------------|---------------------------------|
| 09/30/16          | \$ 19.00                    | 100%                              | \$ -                            |
| 09/30/15          | 91.40                       | 100%                              | (10.00)                         |
| 09/30/14          | 86.70                       | 99.90%                            | (10.00)                         |

\* No net OPEB obligations in FY 2016 because OPEB is overfunded per the actuarial report

**e) Funded Status and Funding Progress:**

Using the most recent (September 30, 2015) actuarial valuation results, the September 30, 2015 estimated actuarial liability is \$1,001,200 and the actuarial value of plan assets is \$1,202,400 resulting in an estimated funding excess of \$201,200. The estimated covered payroll is \$1,607,220 and the ratio of the excess funding to covered payroll is 12.52%. The Plan is 120.10% 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 plan assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Actuarial cost method was used to prepare the September 30, 2015, actuarial valuation. The actuarial assumptions included a 6.50% investment rate of return, a discount rate of 6.50%, a 3.50% salary increase and a medical trend rate ranging between 7.20% grading to 3.90% over 25 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 of Pay, Closed Method. The remaining amortization period as of September 30, 2016, was 20 years and the asset valuation method used was Market Value.

The actual performance of the Fund's investments was favorable in comparison to the projected rate of return of 6.50% used in the actuarial valuation. The Fund as a whole had a positive rate of return of 9.20% with net investment income of \$101,796 during fiscal year 2016.



## NOTE 11. FUND BALANCE/NET POSITION

Fund balances as of September 30, 2016, are shown in **Table N60a**.

**Table N60a – Schedule of FY 2016 Fund Balance**

|  | (Dollars in \$000s) |                                   |                                |                                    |                                   |                                |
|--|---------------------|-----------------------------------|--------------------------------|------------------------------------|-----------------------------------|--------------------------------|
|  | General Fund        | Federal<br>& Private<br>Resources | Housing<br>Production<br>Trust | General<br>Capital<br>Improvements | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>Fund Balances:</b>                  |                     |                                   |                                |                                    |                                   |                                |
| <b>Nonspendable</b>                    |                     |                                   |                                |                                    |                                   |                                |
| Inventory                              | \$ 11,631           | \$ 2                              | \$ -                           | \$ -                               | \$ -                              | 11,633                         |
| <b>Total Nonspendable Fund Balance</b> | 11,631              | 2                                 | -                              | -                                  | -                                 | 11,633                         |
| <b>Restricted for:</b>                 |                     |                                   |                                |                                    |                                   |                                |
| Emergency and Contingency              |                     |                                   |                                |                                    |                                   |                                |
| Cash Reserves                          | 387,065             | -                                 | -                              | -                                  | -                                 | 387,065                        |
| Debt Service - Bond Escrow             | 498,030             | -                                 | -                              | -                                  | -                                 | 498,030                        |
| Budget                                 | 21,664              | -                                 | -                              | -                                  | -                                 | 21,664                         |
| Purpose Restrictions                   | 95,774              | 160,140                           | -                              | -                                  | -                                 | 255,914                        |
| Payment-in-Lieu of Taxes               | -                   | -                                 | -                              | -                                  | 92,206                            | 92,206                         |
| Tobacco Settlement                     | -                   | -                                 | -                              | -                                  | 83,153                            | 83,153                         |
| Tax Increment Financing Program        | 28,362              | -                                 | -                              | -                                  | 52,647                            | 81,009                         |
| Housing Production Trust               | -                   | -                                 | 250,311                        | -                                  | -                                 | 250,311                        |
| Highway Projects                       | -                   | -                                 | -                              | -                                  | 68,324                            | 68,324                         |
| Baseball Special Revenue               | -                   | -                                 | -                              | -                                  | 47,248                            | 47,248                         |
| <b>Total Restricted Fund Balance</b>   | 1,030,895           | 160,140                           | 250,311                        | -                                  | 343,578                           | 1,784,924                      |
| <b>Committed to:</b>                   |                     |                                   |                                |                                    |                                   |                                |
| Fiscal Stabilization Reserve           | 185,763             | -                                 | -                              | -                                  | -                                 | 185,763                        |
| Cash Flow Reserve                      | 592,346             | -                                 | -                              | -                                  | -                                 | 592,346                        |
| Budget Support Act                     | 25,361              | -                                 | -                              | -                                  | -                                 | 25,361                         |
| Commodities Cost Reserve               | 5,000               | -                                 | -                              | -                                  | -                                 | 5,000                          |
| Soccer Stadium                         | 8,077               | -                                 | -                              | -                                  | -                                 | 8,077                          |
| Dedicated Taxes                        | 29,352              | -                                 | -                              | -                                  | -                                 | 29,352                         |
| WMATA Operations Fund                  | 21,700              | -                                 | -                              | -                                  | -                                 | 21,700                         |
| Subsequent Years Expenditures          | 201,974             | -                                 | -                              | -                                  | -                                 | 201,974                        |
| Other Special Purposes                 | 256,322             | -                                 | -                              | -                                  | -                                 | 256,322                        |
| <b>Total Committed Fund Balance</b>    | 1,325,895           | -                                 | -                              | -                                  | -                                 | 1,325,895                      |
| <b>Assigned to:</b>                    |                     |                                   |                                |                                    |                                   |                                |
| Contractual Obligations                | 4,668               | -                                 | -                              | -                                  | -                                 | 4,668                          |
| Subsequent Years' Expenditures         | 16,000              | -                                 | -                              | -                                  | -                                 | 16,000                         |
| <b>Total Assigned Fund Balance</b>     | 20,668              | -                                 | -                              | -                                  | -                                 | 20,668                         |
| <b>Unassigned</b>                      | -                   | -                                 | -                              | (228,870)                          | -                                 | (228,870)                      |
| <b>Total Fund Balance</b>              | <b>\$ 2,389,089</b> | <b>\$ 160,142</b>                 | <b>\$ 250,311</b>              | <b>\$ (228,870)</b>                | <b>\$ 343,578</b>                 | <b>\$ 2,914,250</b>            |

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

The net position of the proprietary and fiduciary funds as of September 30, 2016, is shown in **Table N60b**.

**Table N60b – Schedule of FY 2016 Net Position, Proprietary and Fiduciary Funds**

| Net Position               | (Dollars in \$000s) |                                      |                     |
|----------------------------|---------------------|--------------------------------------|---------------------|
|                            | Lottery &<br>Games  | Unemployment<br>Compensation<br>Fund | Fiduciary<br>Funds  |
| Invested in capital assets | \$ 330              | \$ -                                 | \$ -                |
| Restricted                 | -                   | 364,237                              | 8,433,285           |
| Unrestricted               | 4,184               | -                                    | -                   |
| <b>Total Net Position</b>  | <b>\$ 4,514</b>     | <b>\$ 364,237</b>                    | <b>\$ 8,433,285</b> |

## 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, 2016, is shown in **Table N61a**.

**Table N61a – Summary of Grants Provided to WMATA**

| Type                   | (Dollars in \$000s) |                   |
|------------------------|---------------------|-------------------|
|                        | Local               | Capital           |
| Operating grants       | \$ 340,525          | \$ -              |
| School Transit Subsidy | 18,572              | -                 |
| Capital grants         | -                   | 131,091           |
| <b>Total</b>           | <b>\$ 359,097</b>   | <b>\$ 131,091</b> |

WMATA issues separate audited financial statements which can be requested from the General Manager, Washington Metropolitan Area Transit Authority, 600 5<sup>th</sup> 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, 2016**

| Financial Position (in \$000s)       |                      |
|--------------------------------------|----------------------|
| Total assets                         | \$ 13,685,266        |
| Total deferred outflows of resources | 299,649              |
| Total liabilities                    | (3,252,263)          |
| Total deferred inflows of resources  | (207,583)            |
| <b>Net position</b>                  | <b>\$ 10,525,069</b> |

| Operating Results (in \$000s)      |                   |
|------------------------------------|-------------------|
| Operating revenues                 | \$ 859,165        |
| Operating expenses                 | (2,629,099)       |
| Nonoperating revenues, net         | 921,733           |
| Revenue from capital contributions | 1,153,762         |
| <b>Change in net position</b>      | <b>\$ 305,561</b> |

| Change in Net Position (in \$000s) |                      |
|------------------------------------|----------------------|
| Net position, beginning of year    | \$ 10,219,508        |
| Change in net position             | 305,561              |
| <b>Net position, end of year</b>   | <b>\$ 10,525,069</b> |

### B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2016, 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, \$123,551; Not-for-Profit-Hospital Corporation, \$30,113; and the University of the District of Columbia, \$87,299. The District did not provide subsidies to the Health Benefit Exchange Authority and the Housing Finance Agency.

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**NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT**

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**A. FEDERAL CONTRIBUTIONS**

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, 2016, totaled \$521,828, comprised of \$460,928 in on-behalf payments to the DC Federal Pension fund and \$60,900 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 2016, 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 2016.

**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 \$209,952 and \$223,987 in fiscal years 2016 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 \$3,268 in fiscal year 2016.

### 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 \$139,501 in fiscal year 2016.

### 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, 2016.

**Table N62 – Schedule of Future Minimum Lease Commitments**

| Year Ending September 30         | (Dollars in \$000s) |                   |                  |
|----------------------------------|---------------------|-------------------|------------------|
|                                  | Primary Government  |                   |                  |
|                                  | Capital<br>Leases   | Operating Leases  |                  |
|                                  |                     | Facilities        | Equipment        |
| 2017                             | \$ 1,874            | \$ 88,470         | \$ 4,672         |
| 2018                             | -                   | 89,437            | 3,188            |
| 2019                             | -                   | 81,969            | 3,002            |
| 2020                             | -                   | 74,943            | 476              |
| 2021                             | -                   | 63,219            | 70               |
| 2022-2026                        | -                   | 233,149           | -                |
| 2027-2031                        | -                   | 46,723            | -                |
| 2032-2036                        | -                   | 10,135            | -                |
| 2037-2041                        | -                   | 864               | -                |
| 2042-2046                        | -                   | 1,002             | -                |
| 2047-2049                        | -                   | 715               | -                |
| <b>Minimum lease payments</b>    | <b>1,874</b>        | <b>\$ 690,626</b> | <b>\$ 11,408</b> |
| Less - imputed interest          | (37)                |                   |                  |
| <b>Present value of payments</b> | <b>\$ 1,837</b>     |                   |                  |



## NOTE 15. COMMITMENTS AND CONTINGENCIES

### A. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District retains the risk of losses and 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, 2016. 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, 2016, probable cumulative expenditures that may be disallowed by grantor agencies totaled \$15,189. 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, 2016, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was (\$51,806) 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, 2016.

### 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, 2016.

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 \$55,358.

In fiscal year 2016, there was a \$24,954 net increase in the accrual related to pending or unresolved property tax appeals made by District property owners.

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**

| Description                           | (Dollars in \$000s) |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | Fiscal Year<br>2016 | Fiscal Year<br>2015 |
| <b>Liability at October 1</b>         | <b>\$ 201,309</b>   | <b>\$ 159,192</b>   |
| Add: Claims incurred                  |                     |                     |
| Lawsuits                              | 55,300              | 80,565              |
| Property tax appeals                  | 34,747              | 33,175              |
| Less: Claims payments/<br>adjustments |                     |                     |
| Lawsuits                              | (135,589)           | (23,258)            |
| Property tax appeals                  | (9,793)             | (48,365)            |
| <b>Liability at September 30</b>      | <b>\$ 145,974</b>   | <b>\$ 201,309</b>   |

### E. DISABILITY COMPENSATION

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

## NOTE 15. COMMITMENTS AND CONTINGENCIES

rate of 1.75%, 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**

| Description                      | (Dollars in \$000s) |                     |
|----------------------------------|---------------------|---------------------|
|                                  | Fiscal Year<br>2016 | Fiscal Year<br>2015 |
| <b>Liability at October 1</b>    | <b>\$ 127,537</b>   | <b>\$ 129,001</b>   |
| Claims incurred/adjustments      | 20,130              | 20,389              |
| Less-benefit payments            | (17,229)            | (21,853)            |
| <b>Liability at September 30</b> | <b>\$ 130,438</b>   | <b>\$ 127,537</b>   |

## NOTE 16. SUBSEQUENT EVENTS

## A. GENERAL OBLIGATION BONDS

In December 2016, the District issued \$398,910 in General Obligation Bonds, Series 2016D and \$190,635 in General Obligation Refunding Bonds, Series 2016E. 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 the revenue 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 2016D Bonds will be 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 2016D Bonds. The proceeds of the Series 2016E Bonds will be used to: (1) advance refund a portion of the District's outstanding General Obligation Bonds, Series 2007C and (2) pay the costs and expenses of issuing and delivering the Series 2016E Bonds. The assumed interest rate pertaining to the Series 2016D is 3.00% at the first maturity date of June 1, 2019, then 5.00% to the end of the bond term. The interest rate related to the Series 2016E Bonds is 5.00%.

## B. GENERAL OBLIGATION DIRECT PURCHASE BONDS

On November 18, 2016, the District issued \$190,145 in Multimodal General Obligation Refunding Bonds, Series 2016B and \$224,315 in Series 2016C. The Series 2016B Bonds were issued to currently refund the Multimodal General Obligation Bonds, Series 2014A and the Income Tax Secured Revenue Bonds (SIFMA Notes), Series 2015A. The Series 2016C Bonds were issued to currently refund the Multimodal General Obligation Refunding Bond, Series 2014B. The Series 2016B and 2016C Multimodal General Obligation refunding Bonds were issued in the LIBOR Index Mode as authorized under the Ninth Supplemental Indenture by and between the District of Columbia and Wells Fargo Bank, N.A. as trustee dated as of November 1, 2016. The interest on the bonds is payable monthly on the first business day of each month, commencing December 1, 2016.

The Series 2016B and 2016C Bonds were purchased by Bank of America, N.A and the Final Initial Index Rate Mandatory Repurchase Date is November 12, 2021 for both Series of bonds. **Table N65** provides an overview of each direct purchase obligation refunding(s).

Table N65 - Overview of Direct Purchase Obligation Refunding(s)

| Series       | Par Outstanding   | Final Maturity | Reset Mode/<br>Payment<br>Frequency | Direct Purchase<br>Bank  | Direct Purchase<br>Agreement Date | Direct Purchase<br>Expiration Date |
|--------------|-------------------|----------------|-------------------------------------|--------------------------|-----------------------------------|------------------------------------|
| 2016B        | \$ 190,145        | 06/01/2039     | LIBOR Reset/<br>Monthly Pay         | Bank of America,<br>N.A. | 11/18/2016                        | 11/12/2021                         |
| 2016C        | 224,315           | 06/01/2039     | LIBOR Reset/<br>Monthly Pay         | Bank of America,<br>N.A. | 11/18/2016                        | 11/12/2021                         |
| <b>Total</b> | <b>\$ 414,460</b> |                |                                     |                          |                                   |                                    |

## C. COMPONENT UNITS

## District of Columbia Housing Finance Agency

Subsequent to the end of fiscal year 2016, the following events occurred at the District of Columbia Housing Finance Agency (DCHFA):

## McKinney Act Loan Program:

- On October 27, 2016, \$1,000 of the District of Columbia Housing Finance Agency McKinney Act Loan for Deanwood Hills were redeemed through prepayments.
- On October 27, 2016, \$16,830 of District of Columbia Housing Finance Agency Multifamily Revenue Bonds, Series 2016 were issued in a draw down mode to finance the Deanwood Hills Apartments Project.

## Multifamily (Conduit Bond) Program:

- Between October 1, 2016 and December 22, 2016, \$26,052 in multifamily mortgage revenue bonds were issued through draws on the draw down bonds.

## Multifamily New Issuance Bond Program Redemptions and Maturities:

- Between October 1, 2016 and December 22, 2016, \$130 in Multifamily NIBP mortgage revenue bonds were redeemed.

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**NOTE 16. SUBSEQUENT EVENTS**

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Multifamily (Conduit Bond) Program, Redemptions and Maturities:

- Between October 1, 2016 and December 22, 2016, \$28,016 in multifamily mortgage revenue bonds were redeemed or matured.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required Supplementary Information presents additional information as mandated by current governmental financial reporting standards.



### SCHEDULE OF EMPLOYER CONTRIBUTIONS

| <b>Teachers' Retirement Fund</b><br><b>Last Ten Fiscal Years</b><br><b>(\$000s)</b> |            |            |            |            |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | 2016       | 2015       | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       |
| Actuarially determined contribution   | \$ 44,469  | \$ 39,513  | \$ 31,636  | \$ 6,407   | \$ -       | \$ -       | \$ -       | \$ -       | \$ 6,000   | \$ 14,600  |
| Contributions in relation to actuarially determined contribution                    | 44,469     | 39,513     | 31,636     | 6,407      | -          | -          | -          | -          | 6,000      | 14,600     |
| Contribution deficiency (excess)  | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered-employee payroll  | \$ 438,079 | \$ 417,090 | \$ 378,926 | \$ 369,071 | \$ 381,235 | \$ 384,455 | \$ 337,516 | \$ 336,600 | \$ 359,100 | \$ 349,900 |
| Contributions as a percentage of covered-employee payroll                           | 10.15%     | 9.47%      | 8.35%      | 1.74%      | 0.00%      | 0.00%      | 0.00%      | 0.00%      | 1.67%      | 4.17%      |

**Notes to Schedule****Valuation Date:**

Actual contributions are based on valuations as of October 1, two years prior to end of fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level dollar, closed   |
| Remaining amortization period | 18 years   |
| Asset valuation method        | 7-year smoothed market   |
| Inflation                     | 3.50%  |
| Salary increases              | 4.45% to 8.25%, including wage inflation of 4.25%                      |
| Investment rate of return     | 6.50%, net of pension plan investment expense, and including inflation |
| Cost of Living Adjustments    | 3.50% (Limited to 3.00% for those hired after 11/1/1996)               |

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

**Police Officers' and Firefighters' Retirement Fund**  
**Last Ten Fiscal Years**  
**(\$000s)**

|  | 2016       | 2015       | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Actuarially determined contribution                              | \$ 136,115 | \$ 103,430 | \$ 110,766 | \$ 96,314  | \$ 116,700 | \$ 127,200 | \$ 132,300 | \$ 106,000 | \$ 137,000 | \$ 140,100 |
| Contributions in relation to actuarially determined contribution | 136,115    | 103,430    | 110,766    | 96,314     | 116,700    | 127,200    | 132,300    | 106,000    | 137,000    | 140,100    |
| Contribution deficiency (excess)                                 | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered-employee payroll   | \$ 438,114 | \$ 446,201 | \$ 426,135 | \$ 413,380 | \$ 414,877 | \$ 421,221 | \$ 423,854 | \$ 436,100 | \$ 421,950 | \$ 396,300 |
| Contributions as a percentage of covered-employee payroll        | 31.07%     | 23.18%     | 25.99%     | 23.30%     | 28.13%     | 30.20%     | 31.21%     | 24.31%     | 32.47%     | 35.35%     |

**Notes to Schedule****Valuation Date:**

Actual contributions are based on valuations as of October 1, two years prior to end of fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level dollar, closed   |
| Remaining amortization period | 18 years   |
| Asset valuation method        | 7-year smoothed market   |
| Inflation                     | 3.50%  |
| Salary increases              | 4.25% to 9.25%, including wage inflation of 4.25%                      |
| Investment rate of return     | 6.50%, net of pension plan investment expense, and including inflation |
| Cost of Living Adjustments    | 3.50% (Limited to 3.00% for those hired after 11/10/1996)              |

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

**Teachers' Retirement Fund**  
**Last Three Fiscal Years**  
**(\$000s)**

|   | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                     |                     |                     |
| Service cost  | \$ 61,599           | \$ 53,297           | \$ 50,409           |
| Interest  | 124,370             | 118,378             | 112,204             |
| Changes of benefit terms  | -                   | -                   | -                   |
| Differences between expected and actual experience                                    | 2,656               | (7,246)             | -                   |
| Change in assumptions   | -                   | -                   | -                   |
| Benefit payments, including refunds of employee contributions                         | (75,298)            | (69,652)            | (65,622)            |
| Net change in total pension liability   | 113,327             | 94,777              | 96,991              |
| <b>Total pension liability-beginning</b>  | 1,950,811           | 1,856,034           | 1,759,043           |
| <b>Total pension liability-ending (a)</b>   | <u>\$ 2,064,138</u> | <u>\$ 1,950,811</u> | <u>\$ 1,856,034</u> |
| <b>Plan fiduciary net position</b>  |                     |                     |                     |
| Contributions - employer  | \$ 44,469           | \$ 39,513           | \$ 31,636           |
| Contributions - employees   | 33,591              | 31,621              | 28,751              |
| Net Investment Income   | 152,262             | (72,647)            | 132,086             |
| Benefit payments including refunds of employee contributions                          | (75,298)            | (69,652)            | (65,622)            |
| Administrative Expenses   | (4,746)             | (4,543)             | (3,787)             |
| Other   | 1,033               | 385                 | 522                 |
| Net change in plan fiduciary net position   | 151,311             | (75,323)            | 123,586             |
| <b>Plan fiduciary net position-beginning</b>  | 1,670,638           | 1,745,961           | 1,622,375           |
| <b>Plan fiduciary net position-ending (b)</b>   | <u>\$ 1,821,949</u> | <u>\$ 1,670,638</u> | <u>\$ 1,745,961</u> |
| <b>District's net pension liability(asset)-ending (a)-(b)</b>                         | <u>\$ 242,189</u>   | <u>\$ 280,173</u>   | <u>\$ 110,073</u>   |
| <b>Plan fiduciary net position as a percentage of total pension liability (b)/(a)</b> | 88.27%              | 85.64%              | 94.07%              |
| <b>Covered employee payroll</b>   | \$ 438,079          | \$ 417,090          | \$ 378,926          |
| <b>Net pension liability(asset) as a percentage of covered-employee payroll</b>       | 55.28%              | 67.17%              | 29.05%              |

**Note to Schedule:**

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

**Police Officers' and Firefighters' Retirement Fund**  
**Last Three Fiscal Years**  
**(\$000s)**

|   | 2016                    | 2015                   | 2014                    |
|---|-------------------------|------------------------|-------------------------|
| <b>Total pension liability</b>  |                         |                        |                         |
| Service cost  | \$ 198,020              | \$ 192,114             | \$ 176,102              |
| Interest  | 282,285                 | 257,943                | 235,097                 |
| Changes of benefit terms  | -                       | -                      | -                       |
| Differences between expected and actual experience  | (106,840)               | (2,477)                | -                       |
| Change in assumptions   | -                       | -                      | -                       |
| Benefit payments, including refunds of employee contributions                             | (81,316)                | (65,030)               | (54,421)                |
| Net change in total pension liability   | 292,149                 | 382,550                | 356,778                 |
| <b>Total pension liability-beginning</b>  | <b>4,383,413</b>        | <b>4,000,863</b>       | <b>3,644,085</b>        |
| <b>Total pension liability-ending (a)</b>   | <b>\$4,675,562</b>      | <b>\$ 4,383,413</b>    | <b>\$4,000,863</b>      |
| <b>Plan fiduciary net position</b>  |                         |                        |                         |
| Contributions - employer  | \$ 136,115              | \$ 103,430             | \$ 110,766              |
| Contributions - employees   | 32,785                  | 33,679                 | 32,821                  |
| Net Investment Income   | 415,157                 | (187,283)              | 338,894                 |
| Benefit payments including refunds of employee contributions                              | (81,316)                | (65,030)               | (54,421)                |
| Administrative Expenses   | (12,918)                | (11,939)               | (9,730)                 |
| Other   | 2,810                   | 1,012                  | 1,342                   |
| Net change in plan fiduciary net position   | 492,633                 | (126,131)              | 419,672                 |
| <b>Plan fiduciary net position-beginning</b>  | <b>4,461,998</b>        | <b>4,588,129</b>       | <b>4,168,457</b>        |
| <b>Plan fiduciary net position-ending (b)</b>   | <b>\$4,954,631</b>      | <b>\$ 4,461,998</b>    | <b>\$4,588,129</b>      |
| <br><b>District's net pension liability(asset)-ending (a)-(b)</b>                         | <br><b>\$ (279,069)</b> | <br><b>\$ (78,585)</b> | <br><b>\$ (587,266)</b> |
| <br><b>Plan fiduciary net position as a percentage of total pension liability (b)/(a)</b> | <br>105.97%             | <br>101.79%            | <br>114.68%             |
| <b>Covered employee payroll</b>   | <b>\$ 438,114</b>       | <b>\$ 446,201</b>      | <b>\$ 426,135</b>       |
| <b>Net pension liability(asset) as a percentage of covered-employee payroll</b>           | <b>(63.70%)</b>         | <b>(17.61%)</b>        | <b>(137.81%)</b>        |

**Note to Schedule:**

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

## ACTUARIAL ANALYSES

### Other Post-Employment Benefits (OPEB) Program

An independent actuary performed an actuarial analysis of the Plan's assets and liabilities as of September 30, 2015, September 30, 2014 and September 30, 2013 to determine the future funding status of the Plan, which is outlined below. The September 30, 2015 analysis was based on census data as of September 30, 2014.

|                               | Valuation Date  |  |  |
|-------------------------------|---|--|--|
|                               | September 30, 2015<br>(Projected from September,<br>2014 census)                      | September 30, 2014<br>(Projected from September,<br>2012 census)                       | September 30, 2013<br>(Projected from September,<br>2012 census)                       |
| Actuarial Cost Method         | Entry Age Normal  | Entry Age Normal   | Entry Age Normal   |
| Amortization Method           | Level Percent of Pay, Closed<br>20 years beginning with fiscal<br>year end 2016       | Level Percent of Pay, Closed   | Level Percent of Pay, Closed   |
| Remaining Amortization Period |   | 28 years   | 29 years   |
| Asset Valuation Method        | Market Value  | Market Value   | Market Value   |
| Actuarial Assumptions:        |   |  |  |
| Investment Rate of Return     | 6.50%   | 7.00%  | 7.00%  |
| Discount Rate                 | 6.50%   | 7.00%  | 7.00%  |
| Rate of Salary Increase       | 3.50% (plus merit scale)  | 3.75% (plus merit scale)   | 3.75% (plus merit scale)   |
| Rate of Medical Inflation     | 7.20% (grading down to<br>3.90% in 2040, using the SOA<br>Getzen Medical Trend Model) | 8.00% (pre-Medicare) or<br>6.50% (post-Medicare),<br>grading to 4.00% over 70<br>years | 8.00% (pre-Medicare) or<br>6.50% (post-Medicare),<br>grading to 4.00% over 70<br>years |

## SCHEDULE OF FUNDING PROGRESS

### Other Post-Employment Benefits (OPEB) Program (In millions)

| Actuarial<br>Valuation Date | Actuarial Value of<br>Assets | Actuarial Accrued<br>Liability (AAL) | Unfunded<br>AAL (Funding<br>Excess) | Funded Ratio | Covered Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|-----------------------------|------------------------------|--------------------------------------|-------------------------------------|--------------|-----------------|---|
| 9/30/2015                   | \$ 1,202                     | \$ 1,001                             | \$ (201)                            | 120.10%      | \$ 1,607        | (12.52%)                                      |
| 9/30/2014                   | 1,037                        | 1,188                                | 152                                 | 87.23%       | 1,484           | 10.22%  |
| 9/30/2013                   | 898                          | 1,048                                | 150                                 | 85.67%       | 1,441           | 10.42%  |
| 9/30/2012                   | 693                          | 920                                  | 226                                 | 75.38%       | 1,399           | 16.18%  |
| 9/30/2011                   | 512                          | 867                                  | 355                                 | 59.02%       | 1,560           | 22.77%  |

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

### Other Post-Employment Benefits (OPEB) Program Last Three Fiscal Years (\$000s)

|  | FY 2016   | FY 2015     | FY 2014     |
|--|-----------|-------------|-------------|
| Annual required contribution                   | \$ 29,000 | \$ 91,400   | \$ 86,600   |
| Interest on net OPEB obligation                | 700       | 700         | 700         |
| Adjustment to annual required contribution     | (10,706)  | (700)       | (600)       |
| Annual OPEB cost (expense)                     | 18,994    | 91,400      | 86,700      |
| Contributions made                             | 29,000    | 91,400      | 86,600      |
| Change in Net OPEB asset(obligation)           | 10,006    | -           | (100)       |
| Net OPEB asset(obligation) – beginning of year | (10,006)  | (10,006)    | (9,906)     |
| Net OPEB asset(obligation) – end of year*      | \$ -      | \$ (10,006) | \$ (10,006) |

\* No net OPEB obligations in FY 2016 because OPEB is overfunded per the actuarial report.



## OTHER SUPPLEMENTARY INFORMATION

This subsection includes the combining and individual fund statements and schedules for the following:

*General Fund*

*Nonmajor Governmental Funds*

*Fiduciary Funds*

*Supporting Schedules*



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## GENERAL FUND

The General Fund is used to account for all financial resources that are not required to be accounted for in another fund.

## Exhibit A-1

**GENERAL FUND  
BALANCE SHEET  
September 30, 2016  
(With Comparative Totals at September 30, 2015)  
(\$000s)**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Cash and cash equivalents  | \$ 1,493,011        | \$ 1,729,830        |
| Receivables (net of allowances for uncollectibles):                      |                     |                     |
| Intergovernmental  | 7,143               | 3,744               |
| Taxes  | 376,562             | 321,475             |
| Accounts   | 205,200             | 143,209             |
| Due from component units   | 24,596              | 16,695              |
| Interfund  | 348,942             | 276,005             |
| Inventories  | 11,631              | 12,734              |
| Other current assets   | 3,154               | 2,330               |
| Cash and cash equivalents (restricted)                                   | 885,217             | 763,806             |
| Investments (restricted)   | 109,730             | 78,880              |
| Total current assets   | 3,465,186           | 3,348,708           |
| Long-term assets   | 104,852             | 110,818             |
| <b>Total assets</b>  | <b>\$ 3,570,038</b> | <b>\$ 3,459,526</b> |
| <b>LIABILITIES</b>   |                     |                     |
| <b>Liabilities:</b>  |                     |                     |
| Payables:  |                     |                     |
| Accounts   | \$ 445,782          | \$ 452,647          |
| Compensation:  |                     |                     |
| Salaries and wages   | 116,014             | 168,205             |
| Employee benefits  | 2,141               | 2,282               |
| Payroll taxes  | 1,137               | 1,703               |
| Other deductions   | 5,336               | 5,660               |
| Interfund  | 21,725              | 15,570              |
| Due to component units   | 16,874              | 13,463              |
| Unearned revenue   | 61,587              | 63,985              |
| Other  | 36,173              | 35,770              |
| Accrued liabilities:   |                     |                     |
| Grant disallowances  | 2,946               | 7,445               |
| Medicaid   | 152,279             | 219,672             |
| Tax refunds  | 64,875              | 89,528              |
| Other current liabilities  | 18,848              | 17,215              |
| <b>Total liabilities</b>   | <b>945,717</b>      | <b>1,093,145</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                     |                     |
| <b>Unavailable revenues</b>  |                     |                     |
| Property taxes   | 93,083              | 92,357              |
| Others   | 142,149             | 106,962             |
| <b>Total deferred inflows of resources</b>                               | <b>235,232</b>      | <b>199,319</b>      |
| <b>FUND BALANCE</b>  |                     |                     |
| Nonspendable   | 11,631              | 12,734              |
| Restricted   | 1,030,895           | 1,026,396           |
| Committed  | 1,325,895           | 1,047,105           |
| Assigned   | 20,668              | 80,827              |
| <b>Total fund balance</b>  | <b>2,389,089</b>    | <b>2,167,062</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balance</b> | <b>\$ 3,570,038</b> | <b>\$ 3,459,526</b> |

See Accompanying Report of Independent Public Accountants.

## Exhibit A-2

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**  
**(\$000s)**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |
| Taxes  | \$ 7,099,825        | \$ 6,789,197        |
| Fines and forfeits   | 202,314             | 129,283             |
| Licenses and permits   | 123,029             | 119,658             |
| Charges for services:  |                     |                     |
| Public   | 269,275             | 285,243             |
| Intergovernmental  | 723                 | 788                 |
| Miscellaneous:   |                     |                     |
| Public   | 370,958             | 335,342             |
| Investment income  | 7,732               | 1,814               |
| Total revenues   | <u>8,073,856</u>    | <u>7,661,325</u>    |
| <b>Expenditures:</b>   |                     |                     |
| Governmental direction and support   | 957,151             | 870,067             |
| Economic development and regulation  | 404,313             | 309,346             |
| Public safety and justice  | 1,227,558           | 1,044,356           |
| Public education system  | 1,947,968           | 1,866,863           |
| Human support services   | 1,860,387           | 1,954,001           |
| Public works   | 339,856             | 328,787             |
| Public transportation  | 359,097             | 335,703             |
| Debt service:  |                     |                     |
| Principal  | 228,793             | 259,142             |
| Interest   | 362,860             | 337,326             |
| Fiscal charges   | 3,588               | 7,260               |
| Total expenditures   | <u>7,691,571</u>    | <u>7,312,851</u>    |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>                                      | <u>382,285</u>      | <u>348,474</u>      |
| <b>Other financing sources (uses):</b>   |                     |                     |
| Debt issuance  | 2,600               | 4,894               |
| Refunding debt issuance  | 95,575              | 231,255             |
| Premium on sale of bonds   | -                   | 27,099              |
| Payment to refunded bond escrow agent  | (95,120)            | (256,765)           |
| Transfers in   | 80,503              | 114,901             |
| Transfers out  | (259,616)           | (176,455)           |
| Sale of capital assets   | 15,800              | -                   |
| Total other financing uses   | <u>(160,258)</u>    | <u>(55,071)</u>     |
| <b>EXCESS OF REVENUES AND OTHER SOURCES<br/>OVER EXPENDITURES AND OTHER USES</b> | <b>222,027</b>      | <b>293,403</b>      |
| <b>Fund balance at October 1</b>   | <b>2,167,062</b>    | <b>1,873,659</b>    |
| <b>Fund balance at September 30</b>  | <b>\$ 2,389,089</b> | <b>\$ 2,167,062</b> |

See Accompanying Report of Independent Public Accountants.



## Exhibit A-3

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES  
FUNCTION AND OBJECT - GAAP BASIS

For the Year Ended September 30, 2016  
(With Comparative Totals for the Year Ended September 30, 2015)  
(\$000s)

| Function and Subfunction                    | Personnel<br>Services | Contractual<br>Services | Supplies  | Occupancy  | Miscellaneous<br>* | Totals       |              |
|---|-----------------------|-------------------------|-----------|------------|--------------------|--------------|--------------|
|   |                       |                         |           |            |                    | 2016         | 2015         |
| <b>Governmental Direction and Support:</b>  |                       |                         |           |            |                    |              |              |
| Legislative                                 | \$ 22,164             | \$ 3,191                | \$ 83     | \$ 686     | \$ 674             | \$ 26,798    | \$ 46,034    |
| Executive                                   | 73,925                | 48,601                  | 537       | 4,035      | 1,828              | 128,926      | 125,517      |
| Finance                                     | 98,260                | 38,344                  | 326       | 1          | 182,290            | 319,221      | 293,481      |
| Personnel                                   | 12,355                | 505                     | 11        | 25         | 9                  | 12,905       | 11,747       |
| Administrative                              | 111,061               | 129,008                 | 5,067     | 212,287    | 2,174              | 459,597      | 383,363      |
| Elections                                   | 7,207                 | 2,230                   | 200       | 12         | 55                 | 9,704        | 9,925        |
| Total                                       | 324,972               | 221,879                 | 6,224     | 217,046    | 187,030            | 957,151      | 870,067      |
| <b>Economic Development and Regulation:</b> |                       |                         |           |            |                    |              |              |
| Community development                       | 28,319                | 15,709                  | 399       | 2,000      | 107,306            | 153,733      | 131,381      |
| Economic regulation                         | 72,398                | 35,481                  | 432       | 4,337      | 43,871             | 156,519      | 95,356       |
| Employment services                         | 34,189                | 21,658                  | 1,049     | 1,939      | 35,226             | 94,061       | 82,609       |
| Total                                       | 134,906               | 72,848                  | 1,880     | 8,276      | 186,403            | 404,313      | 309,346      |
| <b>Public Safety and Justice:</b>           |                       |                         |           |            |                    |              |              |
| Police                                      | 542,436               | 67,589                  | 5,296     | 2,229      | 168,309            | 785,859      | 642,846      |
| Fire  | 203,705               | 20,177                  | 4,951     | 30         | 49,469             | 278,332      | 245,634      |
| Corrections                                 | 84,799                | 47,582                  | 6,338     | 2,863      | 2,163              | 143,745      | 137,622      |
| Protection                                  | 7,354                 | 3,070                   | 318       | 184        | 384                | 11,310       | 10,130       |
| Law   | 7,593                 | 646                     | 23        | 6          | 44                 | 8,312        | 8,124        |
| Total                                       | 845,887               | 139,064                 | 16,926    | 5,312      | 220,369            | 1,227,558    | 1,044,356    |
| <b>Public Education System:</b>             |                       |                         |           |            |                    |              |              |
| Schools                                     | 591,775               | 86,617                  | 11,394    | 31,862     | 799,610            | 1,521,258    | 1,418,461    |
| Culture                                     | 149,656               | 32,335                  | 758       | 9,596      | 234,365            | 426,710      | 448,402      |
| Total                                       | 741,431               | 118,952                 | 12,152    | 41,458     | 1,033,975          | 1,947,968    | 1,866,863    |
| <b>Human Support Services:</b>              |                       |                         |           |            |                    |              |              |
| Health and welfare                          | 347,909               | 145,282                 | 8,863     | 56,801     | 1,160,230          | 1,719,085    | 1,760,129    |
| Human relations                             | 7,111                 | 5,014                   | 119       | 15         | 25,195             | 37,454       | 37,431       |
| Employment benefits                         | 58,789                | -                       | -         | -          | -                  | 58,789       | 116,351      |
| Recreation                                  | 38,405                | 4,228                   | 978       | 30         | 1,418              | 45,059       | 40,090       |
| Total                                       | 452,214               | 154,524                 | 9,960     | 56,846     | 1,186,843          | 1,860,387    | 1,954,001    |
| <b>Public Works</b>                         | 185,609               | 118,812                 | 3,498     | 7,555      | 24,382             | 339,856      | 328,787      |
| <b>Public Transportation</b>                | -                     | -                       | -         | -          | 359,097            | 359,097      | 335,703      |
| <b>Debt Service</b>                         | -                     | -                       | -         | -          | 595,241            | 595,241      | 603,728      |
| <b>Net Financing Uses</b>                   | -                     | -                       | -         | -          | 160,258            | 160,258      | 55,071       |
| <b>Total expenditures and net uses</b>      | \$ 2,685,019          | \$ 826,079              | \$ 50,640 | \$ 336,493 | \$ 3,953,598       | \$ 7,851,829 | \$ 7,367,922 |

See Accompanying Report of Independent Public Accountants.

\*Miscellaneous column includes transfers, subsidies and other payments, the major components of which are listed below.

Transfers to: Convention Center [\$131,916], Public Charter Schools [\$738,563], UDC [\$71,942], PAYGO-Capital [\$144,076], Housing Authority [\$55,696], Mass Transit Subsidies [\$359,097], Highway Transportation Fund [\$25,332], Housing Production Trust Fund [\$90,179]

Payments for: Dept. of Mental Health [\$55,177], Dept. of Health Care Finance [\$704,058], Dept. of Human Services [\$189,674], Child & Family Services [\$79,027], Dept. of Youth Rehabilitation [\$41,122], Disability Services [\$96,473], State Education [\$92,265], Non-Public Tuition [\$64,539], Dept. of Employment Services [\$35,535], Equipment Lease-Capital [\$38,914], Repayment of Loans and Interest [\$560,211], Fire and Emergency Service [\$11,502], Section 103 Judgments - Finance and Other FDS [\$43,183], Business Improvement District Transfer [\$28,507], Department of the Environment [\$16,814], Office of Aging [\$23,410], Dept. of Health [\$18,980], Public Schools [\$16,088], School Modernization [\$14,276], Teachers' Retirement [\$44,359], Police/Firefighters Retirement [\$135,577], Cable and Television [\$21,890], Planning & Econ Development [\$20,814], Office of Victims & Justice Grants [\$19,417], OPEB Contribution [\$29,000]

Exhibit A-4

**GENERAL FUND**  
**SCHEDULE OF LOCAL SOURCE REVENUES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended September 30, 2016**  
**(\$000s)**

| Source                                   | Budget              |                     | Actual              | Variance         |
|--|---------------------|---------------------|---------------------|------------------|
|  | Original            | Revised             |                     |                  |
| <b>Taxes:</b>                            |                     |                     |                     |                  |
| Property:                                |                     |                     |                     |                  |
| Real                                     | \$ 2,272,461        | \$ 2,310,764        | \$ 2,323,616        | \$ 12,852        |
| Personal                                 | 56,527              | 58,370              | 59,101              | 731              |
| Public space rental                      | 34,030              | 37,242              | 40,386              | 3,144            |
| Total                                    | 2,363,018           | 2,406,376           | 2,423,103           | 16,727           |
| Sales and use:                           |                     |                     |                     |                  |
| General                                  | 1,257,202           | 1,243,344           | 1,292,214           | 48,870           |
| Alcoholic beverages                      | 6,801               | 6,369               | 6,468               | 99               |
| Cigarette                                | 33,124              | 30,623              | 30,451              | (172)            |
| Motor vehicles                           | 50,474              | 47,725              | 45,997              | (1,728)          |
| Motor fuel tax                           | 22,504              | 25,004              | 25,332              | 328              |
| Total                                    | 1,370,105           | 1,353,065           | 1,400,462           | 47,397           |
| Income and franchise:                    |                     |                     |                     |                  |
| Individual income                        | 1,864,316           | 1,856,982           | 1,907,862           | 50,880           |
| Corporation franchise                    | 297,458             | 291,487             | 387,081             | 95,594           |
| Unincorporated business                  | 145,614             | 133,159             | 169,387             | 36,228           |
| Total                                    | 2,307,388           | 2,281,628           | 2,464,330           | 182,702          |
| Gross receipts:                          |                     |                     |                     |                  |
| Public utility                           | 144,608             | 137,814             | 127,462             | (10,352)         |
| Toll telecommunication                   | 50,288              | 55,771              | 48,644              | (7,127)          |
| Insurance companies                      | 125,190             | 102,642             | 60,312              | (42,330)         |
| Health care providers                    | 15,117              | 14,591              | 38,680              | 24,089           |
| Health care related incomes              | 5,519               | 22,578              | 45,083              | 22,505           |
| Total                                    | 340,722             | 333,396             | 320,181             | (13,215)         |
| Other:                                   |                     |                     |                     |                  |
| Deed recordation                         | 189,742             | 170,584             | 219,236             | 48,652           |
| Deed transfers                           | 136,707             | 122,143             | 149,555             | 27,412           |
| Inheritance and estate                   | 32,123              | 34,521              | 53,967              | 19,446           |
| Economic interests                       | 16,789              | 16,789              | 19,450              | 2,661            |
| Total                                    | 375,361             | 344,037             | 442,208             | 98,171           |
| <b>Total taxes</b>                       | <b>6,756,594</b>    | <b>6,718,502</b>    | <b>7,050,284</b>    | <b>331,782</b>   |
| <b>Licenses and Permits:</b>             |                     |                     |                     |                  |
| Business licenses                        | 45,300              | 53,406              | 56,335              | 2,929            |
| Nonbusiness permits                      | 32,367              | 32,554              | 34,097              | 1,543            |
| Total                                    | 77,667              | 85,960              | 90,432              | 4,472            |
| <b>Fines and Forfeits</b>                | 136,616             | 151,536             | 197,439             | 45,903           |
| <b>Charges for Services</b>              | 75,429              | 78,365              | 80,251              | 1,886            |
| <b>Miscellaneous:</b>                    |                     |                     |                     |                  |
| Interest                                 | 130                 | 130                 | 2,334               | 2,204            |
| Other                                    | 95,245              | 106,091             | 138,552             | 32,461           |
| Total                                    | 95,375              | 106,221             | 140,886             | 34,665           |
| <b>Total Local Revenues</b>              | <b>7,141,681</b>    | <b>7,140,584</b>    | <b>7,559,292</b>    | <b>418,708</b>   |
| <b>Transfers and Other sources:</b>      |                     |                     |                     |                  |
| General obligation bonds                 | 6,000               | 6,000               | 2,600               | (3,400)          |
| Fund balance released from restrictions  | 121,079             | 339,018             | -                   | (339,018)        |
| Interfund transfer                       | 128,910             | 135,492             | 80,503              | (54,989)         |
| <b>Total Transfers and Other Sources</b> | <b>255,989</b>      | <b>480,510</b>      | <b>83,103</b>       | <b>(397,407)</b> |
| <b>Total Local Revenues and Sources</b>  | <b>\$ 7,397,670</b> | <b>\$ 7,621,094</b> | <b>\$ 7,642,395</b> | <b>\$ 21,301</b> |

See Accompanying Report of Independent Public Accountants.

Exhibit A-5

**GENERAL FUND**  
**SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS**  
**Year Ended September 30, 2016**  
**(\$000s)**

|   | Local Source    |                |              |           | Other Source    |                |            |            | Totals          |                |              |            |
|---|-----------------|----------------|--------------|-----------|-----------------|----------------|------------|------------|-----------------|----------------|--------------|------------|
|   | Original Budget | Revised Budget | Actual       | Variance  | Original Budget | Revised Budget | Actual     | Variance   | Original Budget | Revised Budget | Actual       | Variance   |
| <b>Revenues and Sources:</b>              |                 |                |              |           |                 |                |            |            |                 |                |              |            |
| Taxes                                     |                 |                |              |           |                 |                |            |            |                 |                |              |            |
| Property taxes                            | \$ 2,363,018    | \$ 2,406,376   | \$ 2,423,103 | \$ 16,727 | \$ -            | \$ -           | \$ -       | \$ -       | \$ 2,363,018    | \$ 2,406,376   | \$ 2,423,103 | \$ 16,727  |
| Sales and use taxes                       | 1,370,105       | 1,353,065      | 1,400,462    | 47,397    | -               | -              | -          | -          | 1,370,105       | 1,353,065      | 1,400,462    | 47,397     |
| Income and franchise taxes                | 2,307,388       | 2,281,628      | 2,464,330    | 182,702   | -               | -              | -          | -          | 2,307,388       | 2,281,628      | 2,464,330    | 182,702    |
| Gross receipts and other taxes            | 716,083         | 677,433        | 762,389      | 84,956    | -               | -              | -          | -          | 716,083         | 677,433        | 762,389      | 84,956     |
| Total taxes                               | 6,756,594       | 6,718,502      | 7,050,284    | 331,782   | -               | -              | -          | -          | 6,756,594       | 6,718,502      | 7,050,284    | 331,782    |
| Licenses and permits                      | 77,667          | 85,960         | 90,432       | 4,472     | -               | -              | -          | -          | 77,667          | 85,960         | 90,432       | 4,472      |
| Fines and forfeitures                     | 136,616         | 151,536        | 197,439      | 45,903    | -               | -              | -          | -          | 136,616         | 151,536        | 197,439      | 45,903     |
| Charges for services                      | 75,429          | 78,365         | 80,251       | 1,886     | -               | -              | -          | -          | 75,429          | 78,365         | 80,251       | 1,886      |
| Miscellaneous                             | 95,375          | 106,221        | 140,886      | 34,665    | -               | -              | -          | -          | 95,375          | 106,221        | 140,886      | 34,665     |
| Other sources                             | -               | -              | -            | -         | 587,345         | 463,547        | 533,557    | 70,010     | 587,345         | 463,547        | 533,557      | 70,010     |
| Bond proceeds                             | 6,000           | 6,000          | 2,600        | (3,400)   | -               | -              | -          | -          | 6,000           | 6,000          | 2,600        | (3,400)    |
| Fund balance released from restrictions   | 121,079         | 339,018        | -            | (339,018) | -               | 63,812         | 63,812     | -          | 121,079         | 402,830        | 63,812       | (339,018)  |
| Interfund transfer-from lottery and games | 62,500          | 55,000         | 53,287       | (1,713)   | -               | -              | -          | -          | 62,500          | 55,000         | 53,287       | (1,713)    |
| Interfund transfer-others                 | 66,410          | 80,492         | 27,216       | (53,276)  | -               | -              | -          | -          | 66,410          | 80,492         | 27,216       | (53,276)   |
| Total Revenues and Sources                | 7,397,670       | 7,621,094      | 7,642,395    | 21,301    | 587,345         | 527,359        | 597,369    | 70,010     | 7,985,015       | 8,148,453      | 8,239,764    | 91,311     |
| <b>Expenditures and Uses:</b>             |                 |                |              |           |                 |                |            |            |                 |                |              |            |
| Governmental direction and support        | 687,152         | 732,330        | 724,729      | 7,601     | 69,646          | 42,735         | 36,460     | 6,275      | 756,798         | 775,065        | 761,189      | 13,876     |
| Economic development and regulation       | 259,321         | 306,223        | 302,487      | 3,736     | 180,711         | 187,584        | 167,851    | 19,733     | 440,032         | 493,807        | 470,338      | 23,469     |
| Public safety and justice                 | 1,101,510       | 1,192,317      | 1,188,690    | 3,627     | 56,675          | 38,776         | 38,604     | 172        | 1,158,185       | 1,231,093      | 1,227,294    | 3,799      |
| Public education system                   | 1,891,784       | 1,667,222      | 1,661,886    | 5,336     | 16,669          | 17,401         | 6,999      | 10,402     | 1,908,453       | 1,684,623      | 1,668,885    | 15,738     |
| Public education AY17 expenditure         | -               | 264,257        | 264,257      | -         | -               | -              | -          | -          | -               | 264,257        | 264,257      | -          |
| Human support services                    | 1,879,428       | 1,843,567      | 1,828,429    | 15,138    | 34,320          | 34,050         | 27,302     | 6,748      | 1,913,748       | 1,877,617      | 1,855,731    | 21,886     |
| Public works                              | 581,232         | 575,589        | 574,483      | 1,106     | 154,661         | 134,634        | 123,734    | 10,900     | 735,893         | 710,223        | 698,217      | 12,006     |
| Workforce investments                     | 17,815          | -              | -            | -         | -               | -              | -          | -          | 17,815          | -              | -            | -          |
| Wilson building                           | 4,745           | 4,503          | 4,289        | 214       | -               | -              | -          | -          | 4,745           | 4,503          | 4,289        | 214        |
| Repayment of loans and interest           | 591,627         | 555,097        | 555,097      | -         | 5,114           | 5,114          | 5,114      | -          | 596,741         | 560,211        | 560,211      | -          |
| Repayment of revenue bonds                | 7,832           | 7,822          | 7,822        | -         | -               | -              | -          | -          | 7,832           | 7,822          | 7,822        | -          |
| Debt service - issuance costs             | 6,000           | 6,000          | 2,945        | 3,055     | -               | -              | -          | -          | 6,000           | 6,000          | 2,945        | 3,055      |
| Interest expense on short-term borrowing  | 3,750           | 922            | 922          | -         | -               | -              | -          | -          | 3,750           | 922            | 922          | -          |
| Settlements and judgments fund            | 21,292          | 33,292         | 32,953       | 339       | -               | -              | -          | -          | 21,292          | 33,292         | 32,953       | 339        |
| Convention center transfer                | 125,054         | 132,304        | 131,916      | 388       | -               | -              | -          | -          | 125,054         | 132,304        | 131,916      | 388        |
| Highway transportation fund               | 22,504          | 25,332         | 25,332       | -         | -               | -              | -          | -          | 22,504          | 25,332         | 25,332       | -          |
| Operating lease-equipment                 | 48,413          | 38,914         | 38,914       | -         | -               | -              | -          | -          | 48,413          | 38,914         | 38,914       | -          |
| Pay-as-you-go capital fund                | 21,449          | 88,043         | 88,043       | -         | 51,017          | 56,062         | 56,062     | -          | 72,466          | 144,105        | 144,105      | -          |
| Schools modernization fund                | 14,276          | 14,276         | 14,276       | -         | -               | -              | -          | -          | 14,276          | 14,276         | 14,276       | -          |
| D.C. retiree health contribution          | 95,400          | 29,000         | 29,000       | -         | -               | -              | -          | -          | 95,400          | 29,000         | 29,000       | -          |
| Non-departmental                          | 2,754           | -              | -            | -         | 18,532          | 11,003         | -          | 11,003     | 21,286          | 11,003         | -            | 11,003     |
| Total Expenditures and Uses               | 7,383,338       | 7,517,010      | 7,476,470    | 40,540    | 587,345         | 527,359        | 462,126    | 65,233     | 7,970,683       | 8,044,369      | 7,938,596    | 105,773    |
| <b>Excess of Revenues and Sources</b>     |                 |                |              |           |                 |                |            |            |                 |                |              |            |
| <b>Over Expenditures and Uses</b>         | \$ 14,332       | \$ 104,084     | \$ 165,925   | \$ 61,841 | \$ -            | \$ -           | \$ 135,243 | \$ 135,243 | \$ 14,332       | \$ 104,084     | \$ 301,168   | \$ 197,084 |

See Accompanying Report of Independent Public Accountants.

Exhibit A-6

**GENERAL FUND**  
**SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES**  
**Year Ended September 30, 2016**  
**(\$000s)**

|  | Original<br>Budget | Revisions        | Revised<br>Budget | Actual            | Variance<br>(Actual To<br>Original<br>Budget) |
|--|--------------------|------------------|-------------------|-------------------|---|
| <b>Revenues and Sources:</b>                                     |                    |                  |                   |                   |   |
| Taxes:   |                    |                  |                   |                   |   |
| Property   | \$ 2,363,018       | \$ 43,358        | \$ 2,406,376      | \$ 2,423,103      | \$ 60,085                                     |
| Sales and use  | 1,370,105          | (17,040)         | 1,353,065         | 1,400,462         | 30,357  |
| Income and franchise   | 2,307,388          | (25,760)         | 2,281,628         | 2,464,330         | 156,942                                       |
| Other taxes  | 716,083            | (38,650)         | 677,433           | 762,389           | 46,306  |
| Total taxes  | 6,756,594          | (38,092)         | 6,718,502         | 7,050,284         | 293,690                                       |
| Licenses and permits   | 77,667             | 8,293            | 85,960            | 90,432            | 12,765  |
| Fines and forfeits   | 136,616            | 14,920           | 151,536           | 197,439           | 60,823  |
| Charges for services   | 75,429             | 2,936            | 78,365            | 80,251            | 4,822   |
| Miscellaneous  | 95,375             | 10,846           | 106,221           | 140,886           | 45,511  |
| Other  | 587,345            | (123,798)        | 463,547           | 533,557           | (53,788)                                      |
| Bond proceeds  | 6,000              | -                | 6,000             | 2,600             | (3,400)                                       |
| Fund balance released from restriction                           | 121,079            | 281,751          | 402,830           | 63,812            | (57,267)                                      |
| Interfund transfer-from lottery and games                        | 62,500             | (7,500)          | 55,000            | 53,287            | (9,213)                                       |
| Interfund transfer-others  | 66,410             | 14,082           | 80,492            | 27,216            | (39,194)                                      |
| <b>Total Revenues and Sources</b>                                | <b>7,985,015</b>   | <b>163,438</b>   | <b>8,148,453</b>  | <b>8,239,764</b>  | <b>254,749</b>                                |
| <b>Expenditures and Uses:</b>                                    |                    |                  |                   |                   |   |
| Governmental direction and support                               | 756,798            | 18,267           | 775,065           | 761,189           | (4,391)                                       |
| Economic development and regulation                              | 440,032            | 53,775           | 493,807           | 470,338           | (30,306)                                      |
| Public safety and justice  | 1,158,185          | 72,908           | 1,231,093         | 1,227,294         | (69,109)                                      |
| Public education system  | 1,908,453          | (223,830)        | 1,684,623         | 1,668,885         | 239,568                                       |
| Public education AY17 expenditure                                | -                  | 264,257          | 264,257           | 264,257           | (264,257)                                     |
| Human support services   | 1,913,748          | (36,131)         | 1,877,617         | 1,855,731         | 58,017  |
| Public works   | 735,893            | (25,670)         | 710,223           | 698,217           | 37,676  |
| Workforce investments  | 17,815             | (17,815)         | -                 | -                 | 17,815  |
| Wilson building  | 4,745              | (242)            | 4,503             | 4,289             | 456   |
| Repayment of loans and interest                                  | 596,741            | (36,530)         | 560,211           | 560,211           | 36,530  |
| Repayment of revenue bonds                                       | 7,832              | (10)             | 7,822             | 7,822             | 10  |
| Debt service - issuance costs                                    | 6,000              | -                | 6,000             | 2,945             | 3,055   |
| Interest expense on short-term borrowing                         | 3,750              | (2,828)          | 922               | 922               | 2,828   |
| Settlements and judgments fund                                   | 21,292             | 12,000           | 33,292            | 32,953            | (11,661)                                      |
| Convention center transfer                                       | 125,054            | 7,250            | 132,304           | 131,916           | (6,862)                                       |
| Highway transportation fund                                      | 22,504             | 2,828            | 25,332            | 25,332            | (2,828)                                       |
| Operating lease-equipment  | 48,413             | (9,499)          | 38,914            | 38,914            | 9,499   |
| Pay-as-you-go capital fund                                       | 72,466             | 71,639           | 144,105           | 144,105           | (71,639)                                      |
| Schools modernization fund                                       | 14,276             | -                | 14,276            | 14,276            | -   |
| D.C. retiree health contribution                                 | 95,400             | (66,400)         | 29,000            | 29,000            | 66,400  |
| Non-departmental   | 21,286             | (10,283)         | 11,003            | -                 | 21,286  |
| <b>Total Expenditures and Uses</b>                               | <b>7,970,683</b>   | <b>73,686</b>    | <b>8,044,369</b>  | <b>7,938,596</b>  | <b>32,087</b>                                 |
| <b>Excess of Revenues and Sources Over Expenditures and Uses</b> | <b>\$ 14,332</b>   | <b>\$ 89,752</b> | <b>\$ 104,084</b> | <b>\$ 301,168</b> | <b>\$ 286,836</b>                             |

See Accompanying Report of Independent Public Accountants.



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## NONMAJOR GOVERNMENTAL FUNDS

### (Combining Statements)

#### Special Revenue Funds

The **Tax Increment Financing (TIF) Program Fund** is used to account for activities relating to various TIF development initiatives. These activities support new economic development projects.

The **Tobacco Settlement Financing Corporation (TSFC) Fund** is used to account for the tobacco litigation settlement activities of the District of Columbia.

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

The **Baseball Special Revenue Fund** is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes.

#### Debt Service Fund

The **Debt Service Fund** is used to account for the payment of ballpark revenue bonds.

#### Capital Project Fund

The **Highway Trust Fund** is used to account for the motor vehicle fuel taxes and other fees collected and used by the District for highway projects.

## Exhibit B-1

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
September 30, 2016  
(With Comparative Totals at September 30, 2015)  
(\$000s)**

|   | Special Revenue Funds                    |   |                             |                     |                      | Capital<br>Project Fund | Totals            |                   |
|---|--|---|-----------------------------|---------------------|----------------------|-------------------------|-------------------|-------------------|
|   | Tax<br>Increment<br>Financing<br>Program | Tobacco<br>Settlement<br>Financing<br>Corporation | PILOT<br>Special<br>Revenue | Baseball<br>Project | Debt Service<br>Fund | Highway Trust           | 2016              | 2015              |
| <b>ASSETS</b>   |  |   |                             |                     |                      |                         |                   |                   |
| <b>Current Assets:</b>  |  |   |                             |                     |                      |                         |                   |                   |
| Receivables (net of allowances for uncollectibles):                       |  |   |                             |                     |                      |                         |                   |                   |
| Taxes   | \$ -                                     | \$ -  | \$ -                        | 1,560               | \$ -                 | 2,285                   | \$ 3,845          | \$ 3,522          |
| Accounts  | 17                                       | 30,013  | 6,071                       | -                   | -                    | 1,570                   | 37,671            | 30,557            |
| Due from other District entities  | 532                                      | -   | -                           | 665                 | -                    | -                       | 1,197             | 665               |
| Interfund   | 2,168                                    | -   | 863                         | 4,754               | -                    | -                       | 7,785             | 8,717             |
| Other current assets  | -  | 20  | -                           | -                   | -                    | -                       | 20                | 30                |
| Restricted cash and cash equivalents                                      | 60,089                                   | 53,141  | 76,517                      | 41,870              | -                    | 68,611                  | 300,228           | 411,102           |
| Restricted investments  | -  | -   | 11,155                      | -                   | -                    | -                       | 11,155            | 11,155            |
| <b>Total assets</b>   | <b>\$ 62,806</b>                         | <b>\$ 83,174</b>                                  | <b>\$ 94,606</b>            | <b>\$ 48,849</b>    | <b>\$ -</b>          | <b>\$ 72,466</b>        | <b>\$ 361,901</b> | <b>\$ 465,748</b> |
| <b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</b>         |  |   |                             |                     |                      |                         |                   |                   |
| <b>Current Liabilities:</b>   |  |   |                             |                     |                      |                         |                   |                   |
| Payables:   |  |   |                             |                     |                      |                         |                   |                   |
| Accounts  | \$ -                                     | \$ -  | \$ -                        | \$ -                | \$ -                 | 2,182                   | \$ 2,182          | \$ 5,157          |
| Compensation payable  | -  | -   | -                           | -                   | -                    | 74                      | 74                | 158               |
| Due to other funds  | 9,415                                    | -   | 2,400                       | -                   | -                    | -                       | 11,815            | 19,524            |
| Due to other District entities  | 744                                      | -   | -                           | -                   | -                    | -                       | 744               | 1,491             |
| Other current liabilities   | -  | -   | -                           | -                   | -                    | 1,795                   | 1,795             | 646               |
| Accrued liabilities   | -  | 21  | -                           | 145                 | -                    | 1                       | 167               | 421               |
| <b>Total liabilities</b>  | <b>10,159</b>                            | <b>21</b>   | <b>2,400</b>                | <b>145</b>          | <b>-</b>             | <b>4,052</b>            | <b>16,777</b>     | <b>27,397</b>     |
| <b>Deferred Inflows of Resources:</b>                                     |  |   |                             |                     |                      |                         |                   |                   |
| Unavailable revenues  | -  | -   | -                           | 1,456               | -                    | 90                      | 1,546             | 1,243             |
| <b>Fund Balance:</b>  |  |   |                             |                     |                      |                         |                   |                   |
| Restricted  | 52,647                                   | 83,153  | 92,206                      | 47,248              | -                    | 68,324                  | 343,578           | 437,108           |
| <b>Total fund balances</b>  | <b>52,647</b>                            | <b>83,153</b>                                     | <b>92,206</b>               | <b>47,248</b>       | <b>-</b>             | <b>68,324</b>           | <b>343,578</b>    | <b>437,108</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 62,806</b>                         | <b>\$ 83,174</b>                                  | <b>\$ 94,606</b>            | <b>\$ 48,849</b>    | <b>\$ -</b>          | <b>\$ 72,466</b>        | <b>\$ 361,901</b> | <b>\$ 465,748</b> |

See Accompanying Report of Independent Public Accountants.

Exhibit B-2

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**  
**(\$000s)**

|   | Special Revenue Funds           |  |                       |                  |                   | Capital Project Fund | Totals     |            |
|---|---------------------------------|--|-----------------------|------------------|-------------------|----------------------|------------|------------|
|   | Tax Increment Financing Program | Tobacco Settlement Financing Corporation | PILOT Special Revenue | Baseball Project | Debt Service Fund | Highway Trust        | 2016       | 2015       |
| <b>Revenues:</b>  |                                 |  |                       |                  |                   |                      |            |            |
| Property taxes  | \$ 17,086                       | \$ -                                     | \$ 16,801             | \$ -             | \$ -              | \$ -                 | \$ 33,887  | \$ 40,180  |
| Sales and use taxes   | 33,963                          | -  | -                     | 16,420           | -                 | -                    | 50,383     | 52,459     |
| Gross receipts taxes  | -                               | -  | -                     | 43,155           | -                 | -                    | 43,155     | 46,304     |
| Interest  | -                               | 2,061                                    | 764                   | 9                | -                 | 21                   | 2,855      | 3,375      |
| Tobacco settlement revenue  | -                               | 39,767                                   | -                     | -                | -                 | -                    | 39,767     | 36,731     |
| Other   | 532                             | -  | -                     | 5,806            | -                 | -                    | 6,338      | 7,487      |
| Total revenues  | 51,581                          | 41,828                                   | 17,565                | 65,390           | -                 | 21                   | 176,385    | 186,536    |
| <b>Expenditures:</b>  |                                 |  |                       |                  |                   |                      |            |            |
| Governmental direction and support  | 39,581                          | 185                                      | 29,133                | 1,906            | -                 | -                    | 70,805     | 114,343    |
| Capital outlay  | -                               | -  | -                     | -                | -                 | 23,545               | 23,545     | 35,437     |
| Bond principal payment  | 4,073                           | 15,430                                   | 10,049                | -                | 96,055            | -                    | 125,607    | 35,144     |
| Interest  | 6,839                           | 24,369                                   | 7,835                 | -                | 24,288            | -                    | 63,331     | 60,730     |
| Fiscal charges  | -                               | -  | 144                   | -                | -                 | -                    | 144        | 1,051      |
| Total expenditures  | 50,493                          | 39,984                                   | 47,161                | 1,906            | 120,343           | 23,545               | 283,432    | 246,705    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>                                  | 1,088                           | 1,844                                    | (29,596)              | 63,484           | (120,343)         | (23,524)             | (107,047)  | (60,169)   |
| Other Financing Sources (Uses):   |                                 |  |                       |                  |                   |                      |            |            |
| Bond issuance   | -                               | -  | -                     | -                | -                 | -                    | -          | 154,897    |
| Transfers in  | -                               | -  | -                     | -                | 120,343           | 25,333               | 145,676    | 87,491     |
| Transfers out   | (9,416)                         | -  | (2,400)               | (120,343)        | -                 | -                    | (132,159)  | (56,103)   |
| Total other financing sources (uses)  | (9,416)                         | -  | (2,400)               | (120,343)        | 120,343           | 25,333               | 13,517     | 186,285    |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> | (8,328)                         | 1,844                                    | (31,996)              | (56,859)         | -                 | 1,809                | (93,530)   | 126,116    |
| <b>Fund Balances at October 1</b>   | 60,975                          | 81,309                                   | 124,202               | 104,107          | -                 | 66,515               | 437,108    | 310,992    |
| <b>Fund Balances at September 30</b>  | \$ 52,647                       | \$ 83,153                                | \$ 92,206             | \$ 47,248        | \$ -              | \$ 68,324            | \$ 343,578 | \$ 437,108 |

See Accompanying Report of Independent Public Accountants.



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## FIDUCIARY FUNDS

(Combining Statements)

The Fiduciary Funds are used to account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for police officers, firefighters and public school teachers of the District. Resources are contributed by employees and by the District and federal government at amounts determined by an annual actuarial study. The funds are administered by a thirteen-member Retirement Board. Three of these members are appointed by the Mayor and three by the Council. Six board members include one active and one retired representatives each, from the police officers, firefighters, and teachers. The District's Chief Financial Officer or his designee serves as a non-voting, ex-officio member. The administrative costs of the board are accounted for in the funds.

The **Other Post Employment Benefits (OPEB) Fund** is used to account for the receipt of monies for post-employment healthcare and life insurance benefits provided under the Post-Retirement Health and Life Insurance Benefit Plan. Annual District contributions are actuarially determined and paid accordingly. No employee contributions are required prior to retirement to fund the OPEB plan; however, retirees make contributions as required by the associated substantive plan.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow as an agent for individuals, private organizations or other governments.



## Exhibit C-1

**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**September 30, 2016**  
**(With Comparative Totals at September 30, 2015)**  
**(\$000s)**

|   | <b>Pension Trust Funds</b>           |                  |  | <b>Totals</b>    |                  |
|---|--------------------------------------|------------------|--|------------------|------------------|
|   | <b>Police &amp;<br/>Firefighters</b> | <b>Teachers</b>  | <b>Other<br/>Postemployment<br/>Benefits (OPEB)<br/>Fund</b> | <b>2016</b>      | <b>2015</b>      |
| <b>ASSETS</b>                               |                                      |                  |  |                  |                  |
| <b>Current Assets:</b>                      |                                      |                  |  |                  |                  |
| Cash and cash equivalents                   | \$ 37,487                            | \$ 13,993        | \$ 37,032  | \$ 88,512        | \$ 121,151       |
| Investments                                 | 4,920,614                            | 1,807,998        | 1,173,912  | 7,902,524        | 7,101,688        |
| Receivables:                                |                                      |                  |  |                  |                  |
| Due from federal government                 | 2,107                                | 777              | -  | 2,884            | 900              |
| Benefit contributions                       | 2,375                                | 2,480            | -  | 4,855            | 4,479            |
| Other current assets                        | 4,758                                | 1,748            | 16,891   | 23,397           | 24,960           |
| <b>Total assets</b>                         | <b>4,967,341</b>                     | <b>1,826,996</b> | <b>1,227,835</b>   | <b>8,022,172</b> | <b>7,253,178</b> |
| <b>LIABILITIES</b>                          |                                      |                  |  |                  |                  |
| <b>Current Liabilities:</b>                 |                                      |                  |  |                  |                  |
| Accounts payable                            | 4,122                                | 1,892            | 30,394   | 36,408           | 33,668           |
| Due to other funds                          | 1,365                                | 501              | -  | 1,866            | 1,456            |
| Other current liabilities                   | 7,223                                | 2,654            | -  | 9,877            | 8,867            |
| <b>Total liabilities</b>                    | <b>12,710</b>                        | <b>5,047</b>     | <b>30,394</b>  | <b>48,151</b>    | <b>43,991</b>    |
| <b>NET POSITION</b>                         |                                      |                  |  |                  |                  |
| <b>Net Position</b>                         |                                      |                  |  |                  |                  |
| Held in trust for pension and OPEB benefits | \$ 4,954,631                         | \$ 1,821,949     | \$ 1,197,441   | \$ 7,974,021     | \$ 7,209,187     |

See Accompanying Report of Independent Public Accountants.

Exhibit C-2

**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**

|  | Pension Trust Funds   |              |   | Totals       |              |
|--|-----------------------|--------------|---|--------------|--------------|
|  | Police & Firefighters | Teachers     | Other Postemployment Benefits (OPEB) Fund | 2016         | 2015         |
| <b>Additions:</b>  |                       |              |   |              |              |
| Benefit contributions:   |                       |              |   |              |              |
| Employer   | \$ 136,115            | \$ 44,469    | \$ 29,000                                 | \$ 209,584   | \$ 234,343   |
| Plan members   | 32,785                | 33,591       | 430                                       | 66,806       | 65,711       |
| Investment income:   |                       |              |   |              |              |
| From investment activities                                       |                       |              |   |              |              |
| Net increase/(decrease) in fair value of investments             | 371,288               | 147,820      | 86,369                                    | 605,477      | (358,798)    |
| Other revenue  | -                     | -            | 3,435                                     | 3,435        | 304          |
| Interest and dividends   | 54,220                | 8,245        | 17,712                                    | 80,177       | 56,642       |
| Less - investment expenses                                       | (10,351)              | (3,803)      | (5,720)                                   | (19,874)     | (17,660)     |
| Net gain/(loss) from investing activities                        | 415,157               | 152,262      | 101,796                                   | 669,215      | (319,512)    |
| From securities lending activities                               |                       |              |   |              |              |
| Securities lending income  | -                     | -            | -   | -            | 87           |
| Less: securities lending expenses                                | -                     | -            | -   | -            | (19)         |
| Net income from securities lending activities                    | -                     | -            | -   | -            | 68           |
| Net investment gain/(loss)                                       | 415,157               | 152,262      | 101,796                                   | 669,215      | (319,444)    |
| Other Income   | 2,810                 | 1,033        | -   | 3,843        | 1,397        |
| Total additions  | 586,867               | 231,355      | 131,226                                   | 949,448      | (17,993)     |
| <b>Deductions:</b>   |                       |              |   |              |              |
| Benefit payments   | 81,316                | 75,298       | 10,044                                    | 166,658      | 141,422      |
| Administrative expenses  | 12,918                | 4,746        | 292                                       | 17,956       | 16,847       |
| Total deductions   | 94,234                | 80,044       | 10,336                                    | 184,614      | 158,269      |
| <b>Change in net position</b>                                    | 492,633               | 151,311      | 120,890                                   | 764,834      | (176,262)    |
| <b>Net position held in trust for pension and OPEB benefits:</b> |                       |              |   |              |              |
| October 1  | 4,461,998             | 1,670,638    | 1,076,551                                 | 7,209,187    | 7,385,449    |
| September 30   | \$ 4,954,631          | \$ 1,821,949 | \$ 1,197,441                              | \$ 7,974,021 | \$ 7,209,187 |

See Accompanying Report of Independent Public Accountants.

## Exhibit C-3

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended September 30, 2016**  
**(\$000s)**

|                           | Balance<br>October 1,<br>2015 |               |           | Additions     | Deductions | Balance<br>September 30,<br>2016 |           |               |
|---------------------------|-------------------------------|---------------|-----------|---------------|------------|----------------------------------|-----------|---------------|
| <b>ASSETS</b>             |                               |               |           |               |            |                                  |           |               |
| Cash and cash equivalents | \$                            | 62,121        | \$        | 14,364        | \$         | 15,260                           | \$        | 61,225        |
| Other receivables         |                               | 24,080        |           | 4,450         |            | 54                               |           | 28,476        |
| <b>Total assets</b>       | <b>\$</b>                     | <b>86,201</b> | <b>\$</b> | <b>18,814</b> | <b>\$</b>  | <b>15,314</b>                    | <b>\$</b> | <b>89,701</b> |
| <b>LIABILITIES</b>        |                               |               |           |               |            |                                  |           |               |
| Accounts payable          | \$                            | 373           | \$        | 382           | \$         | 14                               | \$        | 741           |
| Due to component units    |                               | 314           |           | 35            |            | -                                |           | 349           |
| Due to other funds        |                               | 139           |           | 12            |            | -                                |           | 151           |
| Other current liabilities |                               | 85,375        |           | 7,941         |            | 4,856                            |           | 88,460        |
| <b>Total liabilities</b>  | <b>\$</b>                     | <b>86,201</b> | <b>\$</b> | <b>8,370</b>  | <b>\$</b>  | <b>4,870</b>                     | <b>\$</b> | <b>89,701</b> |

See Accompanying Report of Independent Public Accountants.

## **SUPPORTING SCHEDULES**

Supporting schedules are financial presentations used to aggregate and present in greater detail information contained in the financial statements and to present additional information not disclosed in the basic financial statements.

## Exhibit D-1

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS EXPENDITURES**  
**Year Ended September 30, 2016**  
**(\$000s)**

|   | Budget           |                  | Actual           | Variance      |
|---|------------------|------------------|------------------|---------------|
|   | Original         | Revised          |                  |               |
| <b>Governmental direction and support:</b>                  |                  |                  |                  |               |
| Council of the District of Columbia                         | \$ 22,321        | \$ 21,276        | \$ 21,276        | \$ -          |
| Office of the D.C. auditor                                  | 4,663            | 4,709            | 4,549            | 160           |
| Statehood Initiative Agency                                 | 230              | 290              | 290              | -             |
| Advisory neighborhood commissions                           | 927              | 927              | 788              | 139           |
| Office of the mayor   | 11,111           | 11,208           | 11,043           | 165           |
| Mayor's office of legal counsel                             | 1,596            | 1,096            | 1,092            | 4             |
| Office of senior advisor                                    | 1,894            | 1,894            | 1,877            | 17            |
| Office of the secretary                                     | 3,463            | 3,477            | 3,467            | 10            |
| Office of the inspector general                             | 17,215           | 16,088           | 14,683           | 1,405         |
| Captive insurance agency                                    | 1,489            | 2,018            | 2,017            | 1             |
| City administrator  | 6,420            | 6,950            | 5,900            | 1,050         |
| D.C. department of human resources                          | 8,627            | 10,033           | 9,968            | 65            |
| Office of finance & resource mgmt                           | 21,873           | 21,523           | 21,038           | 485           |
| Department of general services                              | 324,253          | 325,831          | 323,806          | 2,025         |
| Office of contracting and procurement                       | 21,343           | 58,793           | 58,635           | 158           |
| Contract appeals board                                      | 1,449            | 1,449            | 1,378            | 71            |
| Office of the chief financial officer                       | 162,865          | 137,144          | 136,916          | 228           |
| Office of the attorney general for the District of Columbia | 81,558           | 76,721           | 73,363           | 3,358         |
| Office of risk management                                   | 2,923            | 3,299            | 3,221            | 78            |
| Office of disability rights                                 | 1,606            | 1,588            | 1,501            | 87            |
| Uniform law commission                                      | 50               | 50               | 48               | 2             |
| Office of the chief technology officer                      | 72,531           | 70,174           | 64,531           | 5,643         |
| Board of elections  | 7,390            | 9,772            | 9,379            | 393           |
| Office of campaign finance                                  | 2,704            | 2,704            | 2,590            | 114           |
| Public employee relations board                             | 1,274            | 1,274            | 1,251            | 23            |
| Office of employee appeals                                  | 1,745            | 1,745            | 1,684            | 61            |
| Metropolitan wash council of governments                    | 472              | 472              | 472              | -             |
| Deputy mayor for greater economic opportunity               | 698              | 673              | 672              | 1             |
| D.C. board of ethics and accountability                     | 1,774            | 1,804            | 1,789            | 15            |
| Section 103 judgments                                       | -                | 9,000            | 9,000            | -             |
| <b>Total governmental direction and support</b>             | <b>786,464</b>   | <b>803,982</b>   | <b>788,224</b>   | <b>15,758</b> |
| <b>Economic development and regulation:</b>                 |                  |                  |                  |               |
| Deputy mayor for planning & economic development            | 38,971           | 43,658           | 32,634           | 11,024        |
| Department of small and local business development          | 10,338           | 9,666            | 9,432            | 234           |
| Office of planning  | 10,312           | 10,438           | 9,928            | 510           |
| Office of zoning  | 2,606            | 2,830            | 2,817            | 13            |
| Dept. of housing and community development                  | 61,722           | 68,812           | 61,793           | 7,019         |
| Office of film, television and entertainment                | 13,601           | 12,152           | 9,436            | 2,716         |
| Department of employment services                           | 146,695          | 123,598          | 119,530          | 4,068         |
| Real property tax appeals commission                        | 1,636            | 1,676            | 1,643            | 33            |
| Dept. of consumer & regulatory affairs                      | 44,011           | 49,922           | 48,385           | 1,537         |
| Alcoholic beverage regulation administration                | 8,142            | 8,142            | 7,272            | 870           |
| Commission on arts & humanities                             | 15,880           | 15,428           | 15,135           | 293           |
| Housing authority subsidy                                   | 59,425           | 55,695           | 55,695           | -             |
| Business improvement districts transfer                     | 28,000           | 29,200           | 28,507           | 693           |
| Housing production trust fund subsidy                       | 50,179           | 90,179           | 90,179           | -             |
| Office of the tenant advocate                               | 2,788            | 2,800            | 2,738            | 62            |
| Public service commission                                   | 13,186           | 15,042           | 13,868           | 1,174         |
| Dept. of insurance, securities and banking                  | 25,610           | 21,361           | 20,565           | 796           |
| Office of people's counsel                                  | 7,648            | 9,822            | 9,683            | 139           |
| Section 103 judgments                                       | -                | 938              | 938              | -             |
| <b>Total economic development and regulation</b>            | <b>540,750</b>   | <b>571,359</b>   | <b>540,178</b>   | <b>31,181</b> |
| <b>Public safety and justice:</b>                           |                  |                  |                  |               |
| Metropolitan police department                              | 516,837          | 507,957          | 506,869          | 1,088         |
| Fire and emergency medical services                         | 231,798          | 241,251          | 240,584          | 667           |
| Police officers' & firefighters' retirement system          | 136,115          | 136,115          | 135,577          | 538           |
| Office of administrative hearings                           | 8,865            | 8,771            | 8,382            | 389           |
| Criminal justice coordinating council                       | 3,067            | 4,091            | 3,108            | 983           |
| Corrections information council                             | 482              | 486              | 441              | 45            |
| Department of corrections                                   | 150,733          | 141,153          | 140,998          | 155           |
| Office of the chief medical examiner                        | 10,828           | 10,900           | 10,849           | 51            |
| D.C. national guard   | 13,316           | 13,282           | 12,294           | 988           |
| Homeland security and emergency management agency           | 132,744          | 60,979           | 60,739           | 240           |
| Commission on judicial disabilities and tenure              | 295              | 314              | 290              | 24            |
| Judicial nomination commission                              | 270              | 368              | 251              | 117           |
| Office of police complaints                                 | 2,292            | 2,292            | 2,110            | 182           |
| Office of unified communications                            | 45,168           | 43,950           | 43,577           | 373           |
| Office of justice grant administration                      | 30,363           | 28,692           | 28,219           | 473           |
| Section 103 judgments - public safety and justice           | -                | 89,938           | 89,938           | -             |
| D.C. sentencing and criminal code revision commission       | 1,610            | 1,610            | 1,498            | 112           |
| Office of the deputy mayor for public safety and justice    | 846              | 846              | 575              | 271           |
| Department of forensic sciences                             | 22,960           | 21,142           | 21,107           | 35            |
| <b>Total public safety and justice</b>                      | <b>1,308,589</b> | <b>1,314,137</b> | <b>1,307,406</b> | <b>6,731</b>  |



Exhibit D-1

FINANCIAL REPORTING ENTITY  
SCHEDULE OF BUDGETARY BASIS EXPENDITURES  
Year Ended September 30, 2016  
(\$000s)

|   | Budget               |                      | Actual               | Variance          |
|---|----------------------|----------------------|----------------------|-------------------|
|   | Original             | Revised              |                      |                   |
| <b>Public education system:</b>                   |                      |                      |                      |                   |
| District of Columbia public schools               | 780,860              | 769,540              | 767,503              | 2,037             |
| AY17 public school advance appropriations         | -                    | 11,113               | 11,113               | -                 |
| Public charter schools                            | 677,744              | 485,705              | 485,700              | 5                 |
| AY17 public charter school advance appropriations | -                    | 253,144              | 253,144              | -                 |
| Teachers' retirement fund                         | 44,469               | 44,469               | 44,359               | 110               |
| University of the District of Columbia subsidy    | 70,942               | 71,942               | 71,942               | -                 |
| Office of the state superintendent of education   | 415,918              | 404,913              | 348,729              | 56,184            |
| D.C. state board of education                     | 1,182                | 1,182                | 1,017                | 165               |
| D.C. public library                               | 57,386               | 56,869               | 56,476               | 393               |
| D.C. public charter school board                  | 8,000                | 8,000                | -                    | 8,000             |
| Special education transportation                  | 93,805               | 86,571               | 85,649               | 922               |
| Non-public tuition                                | 74,415               | 66,415               | 66,092               | 323               |
| Office of the deputy mayor for education          | 3,571                | 3,285                | 3,285                | -                 |
| <b>Total public education system</b>              | <b>2,228,292</b>     | <b>2,263,148</b>     | <b>2,195,009</b>     | <b>68,139</b>     |
| <b>Human support services:</b>                    |                      |                      |                      |                   |
| Department of human services                      | 460,150              | 469,739              | 467,030              | 2,709             |
| Department of health                              | 211,644              | 222,142              | 206,124              | 16,018            |
| Department of parks and recreation                | 44,226               | 46,980               | 45,037               | 1,943             |
| D.C. office on aging                              | 39,184               | 39,026               | 38,641               | 385               |
| Unemployment compensation fund                    | 6,887                | 4,587                | 4,508                | 79                |
| Employees' compensation fund                      | 20,221               | 25,281               | 25,281               | -                 |
| Office of human rights                            | 4,008                | 4,122                | 4,115                | 7                 |
| Office on latino affairs                          | 2,782                | 2,782                | 2,709                | 73                |
| Children investment trust                         | 5,510                | 7,510                | 7,510                | -                 |
| D.C. health benefit exchange subsidy              | 29,614               | -                    | -                    | -                 |
| Child and family services agency                  | 233,813              | 220,090              | 216,298              | 3,792             |
| Department of behavioral health                   | 252,532              | 256,385              | 256,053              | 332               |
| Office on asian and pacific islander affairs      | 835                  | 749                  | 749                  | -                 |
| Office of veterans affairs                        | 419                  | 379                  | 353                  | 26                |
| Department of youth rehabilitation services       | 105,676              | 99,676               | 98,823               | 853               |
| Department on disability services                 | 162,374              | 159,257              | 158,767              | 490               |
| Department of health care finance                 | 2,921,127            | 2,840,417            | 2,834,778            | 5,639             |
| Deputy mayor for health and human services        | 1,391                | 1,698                | 1,569                | 129               |
| Not-for-profit hospital corporation subsidy       | -                    | 10,000               | 10,000               | -                 |
| <b>Total human support services</b>               | <b>4,502,393</b>     | <b>4,410,820</b>     | <b>4,378,345</b>     | <b>32,475</b>     |
| <b>Public works:</b>                              |                      |                      |                      |                   |
| Department of public works                        | 133,355              | 136,295              | 134,558              | 1,737             |
| Department of transportation                      | 113,676              | 102,000              | 101,602              | 398               |
| Taxi cab commission                               | 8,399                | 10,634               | 10,261               | 373               |
| Department of motor vehicles                      | 38,105               | 37,192               | 34,971               | 2,221             |
| Washington metro area transit commission          | 127                  | 127                  | 127                  | -                 |
| Mass transit subsidies                            | 372,213              | 359,097              | 359,097              | -                 |
| D.C. department of the environment                | 104,542              | 92,556               | 83,213               | 9,343             |
| <b>Total public works</b>                         | <b>770,417</b>       | <b>737,901</b>       | <b>723,829</b>       | <b>14,072</b>     |
| <b>Other:</b>                                     |                      |                      |                      |                   |
| Repayment of loans and interest                   | 615,003              | 578,572              | 578,572              | -                 |
| Debt service - issuance costs                     | 6,000                | 6,000                | 2,945                | 3,055             |
| Interest expense on short-term borrowing          | 3,750                | 922                  | 922                  | -                 |
| Settlements and judgments fund                    | 21,292               | 33,292               | 32,953               | 339               |
| Wilson building                                   | 4,745                | 4,503                | 4,289                | 214               |
| Schools modernization fund                        | 14,276               | 14,276               | 14,276               | -                 |
| D.C. retiree health contribution                  | 95,400               | 29,000               | 29,000               | -                 |
| Repayment of revenue bonds                        | 7,832                | 7,822                | 7,822                | -                 |
| Convention center transfer                        | 125,054              | 132,304              | 131,916              | 388               |
| Highway transportation fund                       | 22,504               | 25,332               | 25,332               | -                 |
| Emergency planning and security fund              | 13,000               | 29,229               | 14,281               | 14,948            |
| Workforce investments                             | 17,815               | -                    | -                    | -                 |
| Operating lease-equipment                         | 48,413               | 38,914               | 38,914               | -                 |
| Pay-as-you-go capital fund                        | 72,466               | 144,105              | 144,105              | -                 |
| Non-departmental                                  | 21,286               | 11,003               | -                    | 11,003            |
| <b>Total other</b>                                | <b>1,088,836</b>     | <b>1,055,274</b>     | <b>1,025,327</b>     | <b>29,947</b>     |
| <b>Total</b>                                      | <b>\$ 11,225,741</b> | <b>\$ 11,156,621</b> | <b>\$ 10,958,318</b> | <b>\$ 198,303</b> |

See Accompanying Report of Independent Public Accountants.

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2016**  
**(\$000s)**

|   | Local Source     |                  |                  |              | Federal Source  |                |               |              |
|---|------------------|------------------|------------------|--------------|-----------------|----------------|---------------|--------------|
|   | Original Budget  | Revised Budget   | Actual           | Variance     | Original Budget | Revised Budget | Actual        | Variance     |
| <b>Governmental direction and support:</b>                  |                  |                  |                  |              |                 |                |               |              |
| Council of the District of Columbia                         | \$ 22,321        | \$ 21,174        | \$ 21,174        | \$ -         | \$ -            | \$ -           | \$ -          | \$ -         |
| Office of the D.C. auditor                                  | 4,663            | 4,709            | 4,549            | 160          | -               | -              | -             | -            |
| Statehood Initiative Agency                                 | 230              | 290              | 290              | -            | -               | -              | -             | -            |
| Advisory neighborhood commissions                           | 927              | 927              | 788              | 139          | -               | -              | -             | -            |
| Office of the mayor   | 7,825            | 7,970            | 7,891            | 79           | 3,286           | 3,238          | 3,152         | 86           |
| Mayor's office of legal counsel                             | 1,596            | 1,096            | 1,092            | 4            | -               | -              | -             | -            |
| Office of senior advisor                                    | 1,894            | 1,894            | 1,877            | 17           | -               | -              | -             | -            |
| Office of the secretary                                     | 1,963            | 2,565            | 2,555            | 10           | -               | -              | -             | -            |
| Office of the inspector general                             | 14,595           | 13,334           | 12,591           | 743          | 2,620           | 2,754          | 2,092         | 662          |
| Captive insurance agency                                    | 1,422            | 2,008            | 2,007            | 1            | -               | -              | -             | -            |
| City administrator  | 6,129            | 5,924            | 5,555            | 369          | -               | -              | -             | -            |
| D.C. department of human resources                          | 8,175            | 9,440            | 9,381            | 59           | -               | -              | -             | -            |
| Office of finance & resource management                     | 21,572           | 21,222           | 20,800           | 422          | -               | -              | -             | -            |
| Department of general services                              | 317,877          | 320,039          | 318,410          | 1,629        | -               | -              | -             | -            |
| Office of contracting and procurement                       | 20,968           | 58,418           | 58,338           | 80           | -               | -              | -             | -            |
| Contract appeals board                                      | 1,449            | 1,449            | 1,378            | 71           | -               | -              | -             | -            |
| Office of the chief financial officer                       | 118,144          | 118,144          | 118,045          | 99           | 525             | 525            | 396           | 129          |
| Office of the attorney general for the District of Columbia | 57,124           | 56,473           | 53,937           | 2,536        | 22,177          | 17,991         | 17,991        | -            |
| Office of risk management                                   | 2,923            | 3,299            | 3,221            | 78           | -               | -              | -             | -            |
| Office of disability rights                                 | 1,070            | 1,070            | 983              | 87           | 536             | 518            | 518           | -            |
| Uniform law commission                                      | 50               | 50               | 48               | 2            | -               | -              | -             | -            |
| Office of the chief technology officer                      | 58,268           | 55,893           | 55,353           | 540          | 114             | 303            | 178           | 125          |
| Board of elections  | 7,390            | 7,390            | 7,114            | 276          | -               | 2,372          | 2,255         | 117          |
| Office of campaign finance                                  | 2,704            | 2,704            | 2,590            | 114          | -               | -              | -             | -            |
| Public employee relations board                             | 1,274            | 1,274            | 1,251            | 23           | -               | -              | -             | -            |
| Office of employee appeals                                  | 1,745            | 1,745            | 1,684            | 61           | -               | -              | -             | -            |
| Metropolitan wash council of governments                    | 472              | 472              | 472              | -            | -               | -              | -             | -            |
| Deputy mayor for greater economic opportunity               | 698              | 673              | 672              | 1            | -               | -              | -             | -            |
| D.C. board of ethics and accountability                     | 1,684            | 1,684            | 1,683            | 1            | -               | -              | -             | -            |
| Section 103 judgments                                       | -                | 9,000            | 9,000            | -            | -               | -              | -             | -            |
| <b>Total governmental direction and support</b>             | <b>687,152</b>   | <b>732,330</b>   | <b>724,729</b>   | <b>7,601</b> | <b>29,258</b>   | <b>27,701</b>  | <b>26,582</b> | <b>1,119</b> |
| <b>Economic development and regulation:</b>                 |                  |                  |                  |              |                 |                |               |              |
| Deputy mayor for planning & economic development            | 17,550           | 17,423           | 17,171           | 252          | 2,594           | 508            | 470           | 38           |
| Department of small and local business development          | 9,642            | 9,342            | 9,122            | 220          | 696             | 324            | 310           | 14           |
| Office of planning  | 9,362            | 9,613            | 9,116            | 497          | 525             | 507            | 507           | -            |
| Office of zoning  | 2,606            | 2,830            | 2,817            | 13           | -               | -              | -             | -            |
| Dept. of housing and community development                  | 12,619           | 21,184           | 20,853           | 331          | 47,057          | 45,558         | 39,311        | 6,247        |
| Office of film, television and entertainment                | 3,405            | 1,356            | 1,342            | 14           | -               | -              | -             | -            |
| Department of employment services                           | 59,191           | 60,067           | 58,145           | 1,922        | 48,379          | 28,000         | 26,801        | 1,199        |
| Real property tax appeals commission                        | 1,636            | 1,676            | 1,643            | 33           | -               | -              | -             | -            |
| Dept. of consumer & regulatory affairs                      | 15,052           | 17,321           | 17,222           | 99           | -               | -              | -             | -            |
| Alcoholic beverage regulation administration                | 1,170            | 1,170            | 1,170            | -            | -               | -              | -             | -            |
| Commission on arts & humanities                             | 14,696           | 14,629           | 14,336           | 293          | 684             | 692            | 692           | -            |
| Housing authority subsidy                                   | 59,425           | 55,695           | 55,695           | -            | -               | -              | -             | -            |
| Housing production trust fund subsidy                       | 50,179           | 90,179           | 90,179           | -            | -               | -              | -             | -            |
| Office of the tenant advocate                               | 2,788            | 2,800            | 2,738            | 62           | -               | -              | -             | -            |
| Public service commission                                   | -                | -                | -                | -            | 435             | 589            | 408           | 181          |
| Dept. of insurance, securities and banking                  | -                | -                | -                | -            | -               | 984            | 984           | -            |
| Section 103 - economic development & regulation             | -                | 938              | 938              | -            | -               | -              | -             | -            |
| <b>Total economic development and regulation</b>            | <b>259,321</b>   | <b>306,223</b>   | <b>302,487</b>   | <b>3,736</b> | <b>100,370</b>  | <b>77,162</b>  | <b>69,483</b> | <b>7,679</b> |
| <b>Public safety and justice:</b>                           |                  |                  |                  |              |                 |                |               |              |
| Metropolitan police department                              | 505,837          | 497,141          | 496,864          | 277          | 3,066           | 5,187          | 4,581         | 606          |
| Fire and emergency medical services                         | 230,278          | 239,670          | 239,097          | 573          | -               | 1,008          | 915           | 93           |
| Police officers' & firefighters' retirement system          | 136,115          | 136,115          | 135,577          | 538          | -               | -              | -             | -            |
| Office of administrative hearings                           | 8,805            | 8,701            | 8,312            | 389          | 60              | 70             | 70            | -            |
| Criminal justice coordinating council                       | 1,167            | 1,092            | 896              | 196          | 1,900           | 2,986          | 2,199         | 787          |
| Corrections information council                             | 482              | 482              | 441              | 41           | -               | -              | -             | -            |
| Department of corrections                                   | 122,176          | 123,176          | 123,167          | 9            | -               | -              | -             | -            |
| Office of the chief medical examiner                        | 10,828           | 10,900           | 10,849           | 51           | -               | -              | -             | -            |
| D.C. national guard   | 5,026            | 5,026            | 4,651            | 375          | 8,290           | 8,256          | 7,643         | 613          |
| Homeland security and emergency management agency           | 4,552            | 4,552            | 4,550            | 2            | 128,192         | 56,427         | 56,189        | 238          |
| Commission on judicial disabilities and tenure              | -                | -                | -                | -            | 295             | 314            | 290           | 24           |
| Judicial nomination commission                              | -                | -                | -                | -            | 270             | 368            | 251           | 117          |
| Office of police complaints                                 | 2,292            | 2,292            | 2,110            | 182          | -               | -              | -             | -            |
| Office of unified communications                            | 28,197           | 29,097           | 28,750           | 347          | -               | -              | -             | -            |
| Office of justice grant administration                      | 20,799           | 20,779           | 20,442           | 337          | 7,871           | 7,681          | 7,545         | 136          |
| Section 103 judgments - public safety and justice           | -                | 89,938           | 89,938           | -            | -               | -              | -             | -            |
| D.C. sentencing and criminal code revision commission       | 1,610            | 1,610            | 1,498            | 112          | -               | -              | -             | -            |
| Office of the deputy mayor for public safety and justice    | 846              | 846              | 683              | 163          | -               | -              | (108)         | 108          |
| Department of forensic sciences                             | 22,500           | 20,900           | 20,865           | 35           | 460             | 242            | 242           | -            |
| <b>Total public safety and justice</b>                      | <b>1,101,510</b> | <b>1,192,317</b> | <b>1,188,690</b> | <b>3,627</b> | <b>150,404</b>  | <b>82,539</b>  | <b>79,817</b> | <b>2,722</b> |

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2016**  
**(\$000s)**

|   | Private Grants  |                |            |            | Other Source    |                |                |               |
|---|-----------------|----------------|------------|------------|-----------------|----------------|----------------|---------------|
|   | Original Budget | Revised Budget | Actual     | Variance   | Original Budget | Revised Budget | Actual         | Variance      |
| <b>Governmental direction and support:</b>                  |                 |                |            |            |                 |                |                |               |
| Council of the District of Columbia                         | \$ -            | \$ -           | \$ 102     | \$ -       | \$ -            | \$ -           | \$ -           | \$ -          |
| Office of the D.C. auditor                                  | -               | -              | -          | -          | -               | -              | -              | -             |
| Statehood Initiative Agency                                 | -               | -              | -          | -          | -               | -              | -              | -             |
| Advisory neighborhood commissions                           | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of the mayor   | -               | -              | -          | -          | -               | -              | -              | -             |
| Mayor's office of legal counsel                             | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of senior advisor                                    | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of the secretary                                     | -               | -              | -          | -          | 1,500           | 912            | 912            | -             |
| Office of the inspector general                             | -               | -              | -          | -          | -               | -              | -              | -             |
| Captive insurance agency                                    | -               | -              | -          | -          | 67              | 10             | 10             | -             |
| City administrator  | -               | 696            | 15         | 681        | 291             | 330            | 330            | -             |
| D.C. department of human resources                          | -               | -              | -          | -          | 452             | 593            | 587            | 6             |
| Office of finance & resource management                     | -               | -              | -          | -          | 301             | 301            | 238            | 63            |
| Department of general services                              | -               | -              | -          | -          | 6,376           | 5,792          | 5,396          | 396           |
| Office of contracting and procurement                       | -               | -              | -          | -          | 375             | 375            | 297            | 78            |
| Contract appeals board                                      | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of the chief financial officer                       | -               | -              | -          | -          | 44,196          | 18,475         | 18,475         | -             |
| Office of the attorney general for the District of Columbia | 408             | 408            | 326        | 82         | 1,849           | 1,849          | 1,109          | 740           |
| Office of risk management                                   | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of disability rights                                 | -               | -              | -          | -          | -               | -              | -              | -             |
| Uniform law commission                                      | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of the chief technology officer                      | -               | -              | -          | -          | 14,149          | 13,978         | 9,000          | 4,978         |
| Board of elections  | -               | 10             | 10         | -          | -               | -              | -              | -             |
| Deputy mayor for greater economic opportunity               | -               | -              | -          | -          | -               | -              | -              | -             |
| D.C. board of ethics and accountability                     | -               | -              | -          | -          | 90              | 120            | 106            | 14            |
| Section 103 judgments                                       | -               | -              | -          | -          | -               | -              | -              | -             |
| <b>Total governmental direction and support</b>             | <b>408</b>      | <b>1,216</b>   | <b>453</b> | <b>763</b> | <b>69,646</b>   | <b>42,735</b>  | <b>36,460</b>  | <b>6,275</b>  |
| <b>Economic development and regulation:</b>                 |                 |                |            |            |                 |                |                |               |
| Deputy mayor for planning & economic development            | -               | -              | -          | -          | 18,827          | 25,727         | 14,993         | 10,734        |
| Department of small and local business development          | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of planning  | 325             | 218            | 218        | -          | 100             | 100            | 87             | 13            |
| Office of zoning  | -               | -              | -          | -          | -               | -              | -              | -             |
| Dept. of housing and community development                  | -               | 24             | 2          | 22         | 2,046           | 2,046          | 1,627          | 419           |
| Office of motion picture and television development         | -               | -              | -          | -          | 10,196          | 10,796         | 8,094          | 2,702         |
| Department of employment services                           | 1               | 126            | 125        | 1          | 39,124          | 35,405         | 34,459         | 946           |
| Real property tax appeals commission                        | -               | -              | -          | -          | -               | -              | -              | -             |
| Dept. of consumer & regulatory affairs                      | -               | -              | -          | -          | 28,959          | 32,601         | 31,163         | 1,438         |
| Alcoholic beverage regulation administration                | -               | -              | -          | -          | 6,972           | 6,972          | 6,102          | 870           |
| Commission on arts & humanities                             | -               | -              | -          | -          | 500             | 107            | 107            | -             |
| Housing authority subsidy                                   | -               | -              | -          | -          | -               | -              | -              | -             |
| Business improvement districts transfer                     | -               | -              | -          | -          | 28,000          | 29,200         | 28,507         | 693           |
| Housing production trust fund subsidy                       | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of the tenant advocate                               | -               | -              | -          | -          | -               | -              | -              | -             |
| Public service commission                                   | 22              | 22             | 12         | 10         | 12,729          | 14,431         | 13,448         | 983           |
| Dept. of insurance, securities and banking                  | -               | -              | -          | -          | 25,610          | 20,377         | 19,581         | 796           |
| Office of people's counsel                                  | -               | -              | -          | -          | 7,648           | 9,822          | 9,683          | 139           |
| Section 103 - economic development & regulation             | -               | -              | -          | -          | -               | -              | -              | -             |
| <b>Total economic development and regulation</b>            | <b>348</b>      | <b>390</b>     | <b>357</b> | <b>33</b>  | <b>180,711</b>  | <b>187,584</b> | <b>167,851</b> | <b>19,733</b> |
| <b>Public safety and justice:</b>                           |                 |                |            |            |                 |                |                |               |
| Metropolitan police department                              | -               | 487            | 282        | 205        | 7,934           | 5,142          | 5,142          | -             |
| Fire and emergency medical services                         | -               | 1              | -          | 1          | 1,520           | 572            | 572            | -             |
| Police officers' & firefighters' retirement system          | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of administrative hearings                           | -               | -              | -          | -          | -               | -              | -              | -             |
| Criminal justice coordinating council                       | -               | 13             | 13         | -          | -               | -              | -              | -             |
| Corrections information council                             | -               | 4              | -          | 4          | -               | -              | -              | -             |
| Department of corrections                                   | -               | -              | -          | -          | 28,557          | 17,977         | 17,831         | 146           |
| Office of the chief medical examiner                        | -               | -              | -          | -          | -               | -              | -              | -             |
| D.C. national guard   | -               | -              | -          | -          | -               | -              | -              | -             |
| Homeland security and emergency management agency           | -               | -              | -          | -          | -               | -              | -              | -             |
| Commission on judicial disabilities and tenure              | -               | -              | -          | -          | -               | -              | -              | -             |
| Judicial nomination commission                              | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of police complaints                                 | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of unified communications                            | -               | -              | -          | -          | 16,971          | 14,853         | 14,827         | 26            |
| Office of justice grant administration                      | -               | -              | -          | -          | 1,693           | 232            | 232            | -             |
| Section 103 judgments - public safety and justice           | -               | -              | -          | -          | -               | -              | -              | -             |
| D.C. sentencing and criminal code revision commission       | -               | -              | -          | -          | -               | -              | -              | -             |
| Office of the deputy mayor for public safety and justice    | -               | -              | -          | -          | -               | -              | -              | -             |
| Department of forensic sciences                             | -               | -              | -          | -          | -               | -              | -              | -             |
| <b>Total public safety and justice</b>                      | <b>-</b>        | <b>505</b>     | <b>295</b> | <b>210</b> | <b>56,675</b>   | <b>38,776</b>  | <b>38,604</b>  | <b>172</b>    |

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2016**  
**(\$000s)**

|   | Local Source        |                     |                     |                  | Federal Source      |                     |                     |                  |
|---|---------------------|---------------------|---------------------|------------------|---------------------|---------------------|---------------------|------------------|
|   | Original Budget     | Revised Budget      | Actual              | Variance         | Original Budget     | Revised Budget      | Actual              | Variance         |
| <b>Public education system:</b>                   |                     |                     |                     |                  |                     |                     |                     |                  |
| District of Columbia public schools               | 727,492             | 717,715             | 717,674             | 41               | 46,230              | 41,351              | 41,096              | 255              |
| AY17 public school advance appropriations         | -                   | 11,113              | 11,113              | -                | -                   | -                   | -                   | -                |
| Public charter schools                            | 677,744             | 485,705             | 485,700             | 5                | -                   | -                   | -                   | -                |
| AY17 public charter school advance appropriations | -                   | 253,144             | 253,144             | -                | -                   | -                   | -                   | -                |
| Teachers' retirement fund                         | 44,469              | 44,469              | 44,359              | 110              | -                   | -                   | -                   | -                |
| University of the District of Columbia subsidy    | 70,942              | 71,942              | 71,942              | -                | -                   | -                   | -                   | -                |
| Office of the state superintendent of education   | 142,265             | 134,562             | 131,094             | 3,468            | 272,558             | 269,037             | 217,034             | 52,003           |
| D.C. state board of education                     | 1,154               | 1,154               | 1,017               | 137              | -                   | -                   | -                   | -                |
| D.C. public library                               | 55,927              | 55,404              | 55,074              | 330              | 919                 | 925                 | 924                 | 1                |
| D.C. public charter school board                  | -                   | -                   | -                   | -                | -                   | -                   | -                   | -                |
| Special education transportation                  | 93,805              | 86,571              | 85,649              | 922              | -                   | -                   | -                   | -                |
| Non-public tuition                                | 74,415              | 66,415              | 66,092              | 323              | -                   | -                   | -                   | -                |
| Office of the deputy mayor for education          | 3,571               | 3,285               | 3,285               | -                | -                   | -                   | -                   | -                |
| <b>Total public education system</b>              | <b>1,891,784</b>    | <b>1,931,479</b>    | <b>1,926,143</b>    | <b>5,336</b>     | <b>319,707</b>      | <b>311,313</b>      | <b>259,054</b>      | <b>52,259</b>    |
| <b>Human support services:</b>                    |                     |                     |                     |                  |                     |                     |                     |                  |
| Department of human services                      | 270,601             | 269,317             | 268,511             | 806              | 186,349             | 198,584             | 197,652             | 932              |
| Department of health                              | 78,870              | 78,586              | 74,485              | 4,101            | 119,619             | 128,468             | 120,456             | 8,012            |
| Department of parks and recreation                | 41,685              | 42,908              | 42,537              | 371              | -                   | -                   | (71)                | 71               |
| D.C. office on aging                              | 31,369              | 31,269              | 31,011              | 258              | 7,815               | 7,756               | 7,629               | 127              |
| Unemployment compensation fund                    | 6,887               | 4,587               | 4,508               | 79               | -                   | -                   | -                   | -                |
| Employees' compensation fund                      | 20,221              | 25,281              | 25,281              | -                | -                   | -                   | -                   | -                |
| Office of human rights                            | 3,741               | 3,741               | 3,734               | 7                | 267                 | 381                 | 381                 | -                |
| Office on latino affairs                          | 2,782               | 2,782               | 2,709               | 73               | -                   | -                   | -                   | -                |
| Children investment trust                         | 5,510               | 7,510               | 7,510               | -                | -                   | -                   | -                   | -                |
| D.C. health benefit exchange subsidy              | 29,614              | -                   | -                   | -                | -                   | -                   | -                   | -                |
| Child and family services agency                  | 163,995             | 159,145             | 155,353             | 3,792            | 68,559              | 59,716              | 59,716              | -                |
| Department of behavioral health                   | 226,856             | 228,435             | 228,301             | 134              | 20,881              | 24,740              | 24,669              | 71               |
| Office on asian and pacific islander affairs      | 835                 | 749                 | 749                 | -                | -                   | -                   | -                   | -                |
| Office of veterans affairs                        | 414                 | 374                 | 353                 | 21               | -                   | -                   | -                   | -                |
| Department of youth rehabilitation services       | 105,676             | 99,676              | 98,823              | 853              | -                   | -                   | -                   | -                |
| Department on disability services                 | 117,625             | 113,955             | 113,829             | 126              | 37,376              | 38,659              | 38,311              | 348              |
| Department of health care finance                 | 771,356             | 763,554             | 759,166             | 4,388            | 2,147,166           | 2,074,533           | 2,073,505           | 1,028            |
| Deputy mayor for health and human services        | 1,391               | 1,698               | 1,569               | 129              | -                   | -                   | -                   | -                |
| Not-for-profit hospital corporation subsidy       | -                   | 10,000              | 10,000              | -                | -                   | -                   | -                   | -                |
| <b>Total human support services</b>               | <b>1,879,428</b>    | <b>1,843,567</b>    | <b>1,828,429</b>    | <b>15,138</b>    | <b>2,588,032</b>    | <b>2,532,837</b>    | <b>2,522,248</b>    | <b>10,589</b>    |
| <b>Public works:</b>                              |                     |                     |                     |                  |                     |                     |                     |                  |
| Department of public works                        | 125,680             | 129,254             | 128,867             | 387              | -                   | -                   | -                   | -                |
| Department of transportation                      | 85,025              | 82,066              | 81,680              | 386              | 7,945               | 3,647               | 3,635               | 12               |
| Taxi cab commission                               | 1,100               | 1,921               | 1,888               | 33               | -                   | -                   | -                   | -                |
| Department of motor vehicles                      | 28,091              | 26,891              | 26,761              | 130              | -                   | 287                 | 253                 | 34               |
| Washington metro area transit commission          | 127                 | 127                 | 127                 | -                | -                   | -                   | -                   | -                |
| Mass transit subsidies                            | 324,053             | 317,298             | 317,298             | -                | -                   | -                   | -                   | -                |
| D.C. department of the environment                | 17,156              | 18,032              | 17,862              | 170              | 26,579              | 23,744              | 21,724              | 2,020            |
| <b>Total public works</b>                         | <b>581,232</b>      | <b>575,589</b>      | <b>574,483</b>      | <b>1,106</b>     | <b>34,524</b>       | <b>27,678</b>       | <b>25,612</b>       | <b>2,066</b>     |
| <b>Other:</b>                                     |                     |                     |                     |                  |                     |                     |                     |                  |
| Repayment of loans and interest                   | 591,627             | 555,097             | 555,097             | -                | 18,262              | 18,361              | 18,361              | -                |
| Debt service - issuance costs                     | 6,000               | 6,000               | 2,945               | 3,055            | -                   | -                   | -                   | -                |
| Interest expense on short-term borrowing          | 3,750               | 922                 | 922                 | -                | -                   | -                   | -                   | -                |
| Settlements and judgments fund                    | 21,292              | 33,292              | 32,953              | 339              | -                   | -                   | -                   | -                |
| Wilson building                                   | 4,745               | 4,503               | 4,289               | 214              | -                   | -                   | -                   | -                |
| Schools modernization fund                        | 14,276              | 14,276              | 14,276              | -                | -                   | -                   | -                   | -                |
| D.C. retiree health contribution                  | 95,400              | 29,000              | 29,000              | -                | -                   | -                   | -                   | -                |
| Repayment of revenue bonds                        | 7,832               | 7,822               | 7,822               | -                | -                   | -                   | -                   | -                |
| Convention center transfer                        | 125,054             | 132,304             | 131,916             | 388              | -                   | -                   | -                   | -                |
| Highway transportation fund                       | 22,504              | 25,332              | 25,332              | -                | -                   | -                   | -                   | -                |
| Emergency planning and security fund              | -                   | -                   | -                   | -                | 13,000              | 29,229              | 14,281              | 14,948           |
| Workforce investments                             | 17,815              | -                   | -                   | -                | -                   | -                   | -                   | -                |
| Operating lease-equipment                         | 48,413              | 38,914              | 38,914              | -                | -                   | -                   | -                   | -                |
| Pay-as-you-go capital fund                        | 21,449              | 88,043              | 88,043              | -                | -                   | -                   | -                   | -                |
| Non-departmental                                  | 2,754               | -                   | -                   | -                | -                   | -                   | -                   | -                |
| <b>Total other</b>                                | <b>982,911</b>      | <b>935,505</b>      | <b>931,509</b>      | <b>3,996</b>     | <b>31,262</b>       | <b>47,590</b>       | <b>32,642</b>       | <b>14,948</b>    |
| <b>Total</b>                                      | <b>\$ 7,383,338</b> | <b>\$ 7,517,010</b> | <b>\$ 7,476,470</b> | <b>\$ 40,540</b> | <b>\$ 3,253,557</b> | <b>\$ 3,106,820</b> | <b>\$ 3,015,438</b> | <b>\$ 91,382</b> |

See Accompanying Report of Independent Public Accountants.

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2016**  
**(\$000s)**

|   | Private Grants  |                 |                 |                 | Other Source      |                   |                   |                  |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|------------------|
|   | Original Budget | Revised Budget  | Actual          | Variance        | Original Budget   | Revised Budget    | Actual            | Variance         |
| <b>Public education system:</b>                   |                 |                 |                 |                 |                   |                   |                   |                  |
| District of Columbia public schools               | -               | 2,797           | 2,753           | 44              | 7,138             | 7,677             | 5,980             | 1,697            |
| AY16 public school advance appropriations         | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Public charter schools                            | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| AY16 public charter school advance appropriations | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Teachers' retirement fund                         | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| University of the District of Columbia subsidy    | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Office of the state superintendent of education   | 104             | 130             | 60              | 70              | 991               | 1,184             | 541               | 643              |
| D.C. state board of education                     | 28              | 28              | -               | 28              | -                 | -                 | -                 | -                |
| D.C. public library                               | -               | -               | -               | -               | 540               | 540               | 478               | 62               |
| D.C. public charter school board                  | -               | -               | -               | -               | 8,000             | 8,000             | -                 | 8,000            |
| Special education transportation                  | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Non-public tuition                                | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Office of the deputy mayor for education          | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| <b>Total public education system</b>              | <b>132</b>      | <b>2,955</b>    | <b>2,813</b>    | <b>142</b>      | <b>16,669</b>     | <b>17,401</b>     | <b>6,999</b>      | <b>10,402</b>    |
| <b>Human support services:</b>                    |                 |                 |                 |                 |                   |                   |                   |                  |
| Department of human services                      | -               | -               | -               | -               | 3,200             | 1,838             | 867               | 971              |
| Department of health                              | -               | -               | -               | -               | 13,155            | 15,088            | 11,183            | 3,905            |
| Department of parks and recreation                | -               | 110             | 110             | -               | 2,541             | 3,962             | 2,461             | 1,501            |
| D.C. office on aging                              | -               | 1               | 1               | -               | -                 | -                 | -                 | -                |
| Unemployment compensation fund                    | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Employees' compensation fund                      | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Office of human rights                            | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Office on latino affairs                          | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Children investment trust                         | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| D.C. health benefit exchange subsidy              | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Child and family services agency                  | 59              | 29              | 29              | -               | 1,200             | 1,200             | 1,200             | -                |
| Department of behavioral health                   | 544             | 216             | 216             | -               | 4,251             | 2,994             | 2,867             | 127              |
| Office on asian and pacific islander affairs      | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Office of veterans affairs                        | -               | -               | -               | -               | 5                 | 5                 | -                 | 5                |
| Department of youth rehabilitation services       | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Department on disability services                 | 10              | 10              | 10              | -               | 7,363             | 6,633             | 6,617             | 16               |
| Department of health care finance                 | -               | -               | -               | -               | 2,605             | 2,330             | 2,107             | 223              |
| Deputy mayor for health and human services        | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Not-for-profit hospital corporation subsidy       | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| <b>Total human support services</b>               | <b>613</b>      | <b>366</b>      | <b>366</b>      | <b>-</b>        | <b>34,320</b>     | <b>34,050</b>     | <b>27,302</b>     | <b>6,748</b>     |
| <b>Public works:</b>                              |                 |                 |                 |                 |                   |                   |                   |                  |
| Department of public works                        | -               | -               | -               | -               | 7,675             | 7,041             | 5,691             | 1,350            |
| Department of transportation                      | -               | -               | -               | -               | 20,706            | 16,287            | 16,287            | -                |
| Taxi cab commission                               | -               | -               | -               | -               | 7,299             | 8,713             | 8,373             | 340              |
| Department of motor vehicles                      | -               | -               | -               | -               | 10,014            | 10,014            | 7,957             | 2,057            |
| Washington metro area transit commission          | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Mass transit subsidies                            | -               | -               | -               | -               | 48,160            | 41,799            | 41,799            | -                |
| D.C. department of the environment                | -               | -               | -               | -               | 60,807            | 50,780            | 43,627            | 7,153            |
| <b>Total public works</b>                         | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>154,661</b>    | <b>134,634</b>    | <b>123,734</b>    | <b>10,900</b>    |
| <b>Other:</b>                                     |                 |                 |                 |                 |                   |                   |                   |                  |
| Repayment of loans and interest                   | -               | -               | -               | -               | 5,114             | 5,114             | 5,114             | -                |
| Debt service - issuance costs                     | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Interest expense on short-term borrowing          | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Settlements and judgments fund                    | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Wilson building                                   | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Schools modernization fund                        | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| D.C. retiree health contribution                  | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Repayment of revenue bonds                        | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Convention center transfer                        | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Highway transportation fund                       | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Emergency planning and security fund              | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Workforce investments                             | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Operating lease-equipment                         | -               | -               | -               | -               | -                 | -                 | -                 | -                |
| Pay-as-you-go capital fund                        | -               | -               | -               | -               | 51,017            | 56,062            | 56,062            | -                |
| Non-departmental                                  | -               | -               | -               | -               | 18,532            | 11,003            | -                 | 11,003           |
| <b>Total other</b>                                | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>74,663</b>     | <b>72,179</b>     | <b>61,176</b>     | <b>11,003</b>    |
| <b>Total</b>                                      | <b>\$ 1,501</b> | <b>\$ 5,432</b> | <b>\$ 4,284</b> | <b>\$ 1,148</b> | <b>\$ 587,345</b> | <b>\$ 527,359</b> | <b>\$ 462,126</b> | <b>\$ 65,233</b> |

See Accompanying Report of Independent Public Accountants.



## Exhibit D-3

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGET REVISIONS**  
**Year Ended September 30, 2016**  
**(\$000s)**

|  | Local Source       |                  |                   | Federal Resources  |                  |                   |
|--|--------------------|------------------|-------------------|--------------------|------------------|-------------------|
|  | Original<br>Budget | Revisions        | Revised<br>Budget | Original<br>Budget | Revisions        | Revised<br>Budget |
| <b>Revenues and Sources:</b>                                     |                    |                  |                   |                    |                  |                   |
| Taxes:   |                    |                  |                   |                    |                  |                   |
| Property taxes   | \$ 2,363,018       | \$ 43,358        | \$ 2,406,376      | \$ -               | \$ -             | \$ -              |
| Sales and use taxes  | 1,370,105          | (17,040)         | 1,353,065         | -                  | -                | -                 |
| Income taxes   | 2,307,388          | (25,760)         | 2,281,628         | -                  | -                | -                 |
| Other taxes  | 716,083            | (38,650)         | 677,433           | -                  | -                | -                 |
| Total taxes  | 6,756,594          | (38,092)         | 6,718,502         | -                  | -                | -                 |
| Licenses and permits   | 77,667             | 8,293            | 85,960            | -                  | -                | -                 |
| Fines and forfeits   | 136,616            | 14,920           | 151,536           | -                  | -                | -                 |
| Charges for services   | 75,429             | 2,936            | 78,365            | -                  | -                | -                 |
| Miscellaneous  | 95,375             | 10,846           | 106,221           | -                  | -                | -                 |
| Other  | -                  | -                | -                 | -                  | -                | -                 |
| Federal contributions  | -                  | -                | -                 | 95,900             | (11,494)         | 84,406            |
| Operating grant  | -                  | -                | -                 | 3,157,657          | (138,106)        | 3,019,551         |
| Bond proceeds  | 6,000              | -                | 6,000             | -                  | -                | -                 |
| Fund balance released from restrictions                          | 121,079            | 217,939          | 339,018           | -                  | 2,863            | 2,863             |
| Transfer in from lottery board                                   | 62,500             | (7,500)          | 55,000            | -                  | -                | -                 |
| Transfer in-others   | 66,410             | 14,082           | 80,492            | -                  | -                | -                 |
| <b>Total revenues and sources</b>                                | <b>7,397,670</b>   | <b>223,424</b>   | <b>7,621,094</b>  | <b>3,253,557</b>   | <b>(146,737)</b> | <b>3,106,820</b>  |
| <b>Expenditures and Uses:</b>                                    |                    |                  |                   |                    |                  |                   |
| Governmental direction and support                               | 687,152            | 45,178           | 732,330           | 29,258             | (1,557)          | 27,701            |
| Economic development and regulation                              | 259,321            | 46,902           | 306,223           | 100,370            | (23,208)         | 77,162            |
| Public safety and justice  | 1,101,510          | 90,807           | 1,192,317         | 150,404            | (67,865)         | 82,539            |
| Public education system  | 1,891,784          | (224,562)        | 1,667,222         | 319,707            | (8,394)          | 311,313           |
| Public education AY17 expenditure                                | -                  | 264,257          | 264,257           | -                  | -                | -                 |
| Human support services   | 1,879,428          | (35,861)         | 1,843,567         | 2,588,032          | (55,195)         | 2,532,837         |
| Public works   | 581,232            | (5,643)          | 575,589           | 34,524             | (6,846)          | 27,678            |
| Repayment of loans and interest                                  | 591,627            | (36,530)         | 555,097           | 18,262             | 99               | 18,361            |
| Debt service - issuance costs                                    | 6,000              | -                | 6,000             | -                  | -                | -                 |
| Interest expense on short-term borrowing                         | 3,750              | (2,828)          | 922               | -                  | -                | -                 |
| Settlements and judgments fund                                   | 21,292             | 12,000           | 33,292            | -                  | -                | -                 |
| Wilson building  | 4,745              | (242)            | 4,503             | -                  | -                | -                 |
| Schools modernization fund                                       | 14,276             | -                | 14,276            | -                  | -                | -                 |
| D.C. retiree health contribution                                 | 95,400             | (66,400)         | 29,000            | -                  | -                | -                 |
| Repayment of revenue bonds                                       | 7,832              | (10)             | 7,822             | -                  | -                | -                 |
| Convention center transfer                                       | 125,054            | 7,250            | 132,304           | -                  | -                | -                 |
| Highway transportation fund                                      | 22,504             | 2,828            | 25,332            | -                  | -                | -                 |
| Emergency planning and security fund                             | -                  | -                | -                 | 13,000             | 16,229           | 29,229            |
| Workforce investments  | 17,815             | (17,815)         | -                 | -                  | -                | -                 |
| Operating lease-equipment  | 48,413             | (9,499)          | 38,914            | -                  | -                | -                 |
| Pay-as-you-go capital fund                                       | 21,449             | 66,594           | 88,043            | -                  | -                | -                 |
| Non-departmental   | 2,754              | (2,754)          | -                 | -                  | -                | -                 |
| <b>Total expenditures and uses</b>                               | <b>7,383,338</b>   | <b>133,672</b>   | <b>7,517,010</b>  | <b>3,253,557</b>   | <b>(146,737)</b> | <b>3,106,820</b>  |
| <b>Excess of Revenues and Sources Over Expenditures and Uses</b> | <b>\$ 14,332</b>   | <b>\$ 89,752</b> | <b>\$ 104,084</b> | <b>\$ -</b>        | <b>\$ -</b>      | <b>\$ -</b>       |

See Accompanying Report of Independent Public Accountants.

Exhibit D-3

**FINANCIAL REPORTING ENTITY  
SCHEDULE OF BUDGET REVISIONS  
Year Ended September 30, 2016**

(\$000s)

|  | Private Grant and Contributions |              |                   | Other Sources      |                 |                   |
|--|---------------------------------|--------------|-------------------|--------------------|-----------------|-------------------|
|  | Original<br>Budget              | Revisions    | Revised<br>Budget | Original<br>Budget | Revisions       | Revised<br>Budget |
| <b>Revenues and Sources:</b>   |                                 |              |                   |                    |                 |                   |
| Taxes:   |                                 |              |                   |                    |                 |                   |
| Property taxes   | \$ -                            | \$ -         | \$ -              | \$ -               | \$ -            | \$ -              |
| Income taxes   | -                               | -            | -                 | -                  | -               | -                 |
| Income taxes   | -                               | -            | -                 | -                  | -               | -                 |
| Other taxes  | -                               | -            | -                 | -                  | -               | -                 |
| Total taxes  | -                               | -            | -                 | -                  | -               | -                 |
| Licenses and permits   | -                               | -            | -                 | -                  | -               | -                 |
| Fines and forfeits   | -                               | -            | -                 | -                  | -               | -                 |
| Charges for services   | -                               | -            | -                 | -                  | -               | -                 |
| Miscellaneous  | -                               | -            | -                 | -                  | -               | -                 |
| Other  | -                               | -            | -                 | 587,345            | (123,798)       | 463,547           |
| Federal contributions  | -                               | -            | -                 | -                  | -               | -                 |
| Operating grant  | 1,501                           | 3,931        | 5,432             | -                  | -               | -                 |
| Bond proceeds  | -                               | -            | -                 | -                  | -               | -                 |
| Fund balance released from restrictions                                  | -                               | -            | -                 | -                  | 63,812          | 63,812            |
| Transfer in from lottery board   | -                               | -            | -                 | -                  | -               | -                 |
| Transfer in-others   | -                               | -            | -                 | -                  | -               | -                 |
| <b>Total revenues and sources</b>  | <b>1,501</b>                    | <b>3,931</b> | <b>5,432</b>      | <b>587,345</b>     | <b>(59,986)</b> | <b>527,359</b>    |
| <b>Expenditures and Uses:</b>  |                                 |              |                   |                    |                 |                   |
| Governmental direction and support                                       | 408                             | 808          | 1,216             | 69,646             | (26,911)        | 42,735            |
| Economic development and regulation                                      | 348                             | 42           | 390               | 180,711            | 6,873           | 187,584           |
| Public safety and justice  | -                               | 505          | 505               | 56,675             | (17,899)        | 38,776            |
| Public education system  | 132                             | 2,823        | 2,955             | 16,669             | 732             | 17,401            |
| Public education AY16 expenditure  | -                               | -            | -                 | -                  | -               | -                 |
| Human support services   | 613                             | (247)        | 366               | 34,320             | (270)           | 34,050            |
| Public works   | -                               | -            | -                 | 154,661            | (20,027)        | 134,634           |
| Repayment of loans and interest  | -                               | -            | -                 | 5,114              | -               | 5,114             |
| Debt service - issuance costs  | -                               | -            | -                 | -                  | -               | -                 |
| Interest expense on short-term borrowing                                 | -                               | -            | -                 | -                  | -               | -                 |
| Settlements and judgments fund   | -                               | -            | -                 | -                  | -               | -                 |
| Section 103 - financing and other funds                                  | -                               | -            | -                 | -                  | -               | -                 |
| Schools modernization fund   | -                               | -            | -                 | -                  | -               | -                 |
| D.C. retiree health contribution   | -                               | -            | -                 | -                  | -               | -                 |
| Repayment of revenue bonds   | -                               | -            | -                 | -                  | -               | -                 |
| Convention center transfer   | -                               | -            | -                 | -                  | -               | -                 |
| Highway transportation fund  | -                               | -            | -                 | -                  | -               | -                 |
| Emergency planning and security fund                                     | -                               | -            | -                 | -                  | -               | -                 |
| Workforce investments  | -                               | -            | -                 | -                  | -               | -                 |
| Operating lease-equipment  | -                               | -            | -                 | -                  | -               | -                 |
| Emergency and contingency reserve funds                                  | -                               | -            | -                 | -                  | -               | -                 |
| Pay-as-you-go capital fund   | -                               | -            | -                 | 51,017             | 5,045           | 56,062            |
| Non-departmental   | -                               | -            | -                 | 18,532             | (7,529)         | 11,003            |
| <b>Total expenditures and uses</b>                                       | <b>1,501</b>                    | <b>3,931</b> | <b>5,432</b>      | <b>587,345</b>     | <b>(59,986)</b> | <b>527,359</b>    |
| <b>Excess of Revenues<br/>and Sources Over<br/>Expenditures and Uses</b> | <b>\$ -</b>                     | <b>\$ -</b>  | <b>\$ -</b>       | <b>\$ -</b>        | <b>\$ -</b>     | <b>\$ -</b>       |

See Accompanying Report of Independent Public Accountants.



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# CAFR 2016

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

STATISTICAL SECTION



**MURIEL BOWSER**  
MAYOR

**JEFFREY S. DEWITT**  
CHIEF FINANCIAL OFFICER

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

**YEAR ENDED SEPTEMBER 30, 2016**

## STATISTICAL SECTION

(Unaudited)

This section contains statistical tables that reflect information on financial trends, revenue capacity, debt capacity, demographics and the economy, and other data regarding the District's operations. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.





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## 1. FINANCIAL TRENDS

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

## Net Position By Component

Exhibit S-1A

## Last Ten Fiscal Years

(accrual basis of accounting, dollars in thousands)

|   |              |              |              | *            |              | *            | **           |              | ***          |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NET POSITION                                | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         |
| <b>Governmental activities</b>              |              |              |              |              |              |              |              |              |              |              |
| Net investment in capital assets            | \$ 1,197,275 | \$ 1,794,279 | \$ 2,155,206 | \$ 2,437,385 | \$ 2,534,538 | \$ 2,872,272 | \$ 2,849,043 | \$ 2,830,199 | \$ 2,639,069 | \$ 2,835,463 |
| Restricted                                  | 1,269,708    | 1,156,213    | 852,061      | 1,117,560    | 963,694      | 1,057,582    | 1,264,682    | 1,195,364    | 1,594,809    | 1,440,889    |
| Unrestricted                                | 92,345       | (404,959)    | (505,804)    | (739,720)    | (527,647)    | (601,284)    | (632,045)    | (456,827)    | (134,430)    | 170,315      |
| Total governmental activities net position  | 2,559,328    | 2,545,533    | 2,501,463    | 2,815,225    | 2,970,585    | 3,328,570    | 3,481,680    | 3,568,736    | 4,099,448    | 4,446,667    |
| <b>Business-type activities</b>             |              |              |              |              |              |              |              |              |              |              |
| Net investment in capital assets            | 17,211       | 16,747       | 16,012       | 4,827        | 478          | 480          | 427          | 270          | 169          | 330          |
| Restricted                                  | 375,148      | 374,282      | 304,773      | 233,296      | 226,229      | 229,930      | 241,952      | 260,645      | 312,483      | 364,237      |
| Unrestricted                                | 25,980       | 24,773       | 25,864       | 8,628        | 3,501        | 3,607        | 3,911        | 4,012        | 4,271        | 4,184        |
| Total business-type activities net position | 418,339      | 415,802      | 346,649      | 246,751      | 230,208      | 234,017      | 246,290      | 264,927      | 316,923      | 368,751      |
| <b>Primary government</b>                   |              |              |              |              |              |              |              |              |              |              |
| Net investment in capital assets            | 1,214,486    | 1,811,026    | 2,171,218    | 2,442,212    | 2,535,016    | 2,872,752    | 2,849,470    | 2,830,469    | 2,639,238    | 2,835,793    |
| Restricted                                  | 1,644,856    | 1,530,495    | 1,156,834    | 1,350,856    | 1,189,923    | 1,287,512    | 1,506,634    | 1,456,009    | 1,907,292    | 1,805,126    |
| Unrestricted                                | 118,325      | (380,186)    | (479,940)    | (731,092)    | (524,146)    | (597,677)    | (628,134)    | (452,815)    | (130,159)    | 174,499      |
| Total primary government net position       | \$ 2,977,667 | \$ 2,961,335 | \$ 2,848,112 | \$ 3,061,976 | \$ 3,200,793 | \$ 3,562,587 | \$ 3,727,970 | \$ 3,833,663 | \$ 4,416,371 | \$ 4,815,418 |

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 &amp; 2012 information was adjusted.

\*\* In FY2013, the District implemented GASB Statement No. 65 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2013.

\*\*\* In FY2015, the District implemented GASB Statement No. 68 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2015.

Source: Information was extracted from Exhibit 1-a, Statement of Net Position, Page 44.



## Changes in Net Position

## Exhibit S-1B

## Last Ten Fiscal Years

(accrual basis of accounting, dollars in thousands)

|   |             |             |             | *           |             | *           | **          |             | ***          |              |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
|   | 2007        | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        | 2014        | 2015         | 2016         |
| <b>Governmental activities</b>                            |             |             |             |             |             |             |             |             |              |              |
| <b>Expenses</b>   |             |             |             |             |             |             |             |             |              |              |
| Governmental direction and support****                    | \$ 787,392  | \$ 834,694  | \$ 878,219  | \$ 871,240  | \$ 783,557  | \$ 987,978  | \$ 993,774  | \$ 929,313  | \$ 1,144,379 | \$ 1,228,553 |
| Economic development and regulation                       | 509,874     | 499,644     | 470,567     | 374,149     | 370,592     | 353,618     | 460,082     | 416,670     | 474,493      | 548,314      |
| Public safety and justice                                 | 1,264,715   | 1,384,517   | 1,407,166   | 1,563,505   | 1,521,863   | 1,490,423   | 1,497,016   | 1,568,899   | 1,715,161    | 1,799,670    |
| Public education system****                               | 1,589,652   | 1,787,635   | 1,937,238   | 1,989,518   | 2,086,722   | 2,113,955   | 2,224,946   | 2,221,519   | 2,326,963    | 2,271,561    |
| Human support services                                    | 2,992,805   | 3,285,325   | 3,598,570   | 3,677,405   | 3,889,812   | 3,925,613   | 4,086,722   | 4,336,730   | 4,484,943    | 4,507,123    |
| Public works  | 481,702     | 586,649     | 553,233     | 497,027     | 489,304     | 587,002     | 603,423     | 651,221     | 705,766      | 701,559      |
| Public transportation                                     | 198,484     | 214,905     | 230,499     | 243,668     | 257,703     | 221,339     | 284,851     | 309,436     | 335,703      | 359,097      |
| Interest on long-term debt                                | 281,918     | 293,339     | 336,536     | 324,319     | 356,164     | 397,216     | 382,530     | 396,754     | 404,130      | 392,638      |
| Total governmental activities expenses                    | 8,106,542   | 8,886,708   | 9,412,028   | 9,540,831   | 9,755,717   | 10,077,144  | 10,533,344  | 10,830,542  | 11,591,538   | 11,808,515   |
| <b>Program revenues</b>                                   |             |             |             |             |             |             |             |             |              |              |
| Charges for services, fees, fines & forfeitures:          |             |             |             |             |             |             |             |             |              |              |
| Economic development and regulation                       | 102,230     | 111,105     | 105,148     | 112,074     | 126,407     | 134,410     | 136,436     | 146,067     | 167,841      | 172,898      |
| Public works  | 151,957     | 206,771     | 196,119     | 219,005     | 228,287     | 191,960     | 170,810     | 189,566     | 165,931      | 183,592      |
| Others  | 80,790      | 61,273      | 98,211      | 118,943     | 135,407     | 211,033     | 223,969     | 165,753     | 205,189      | 242,257      |
| Operating grants & contributions                          | 2,309,495   | 2,178,275   | 2,813,568   | 3,321,671   | 3,343,747   | 3,190,038   | 3,277,118   | 3,368,565   | 3,464,746    | 3,577,091    |
| Capital grants & contributions                            | 130,557     | 175,841     | 180,602     | 259,277     | 172,964     | 261,411     | 270,813     | 178,218     | 224,891      | 167,948      |
| Total governmental activities program revenues            | 2,775,029   | 2,733,265   | 3,393,648   | 4,030,970   | 4,006,812   | 3,988,852   | 4,079,146   | 4,048,169   | 4,228,598    | 4,343,786    |
| <b>Net expenses</b>                                       | (5,331,513) | (6,153,443) | (6,018,380) | (5,509,861) | (5,748,905) | (6,088,292) | (6,454,198) | (6,782,373) | (7,362,940)  | (7,464,729)  |
| <b>General revenues</b>                                   |             |             |             |             |             |             |             |             |              |              |
| Taxes:  |             |             |             |             |             |             |             |             |              |              |
| Property taxes  | 1,545,325   | 1,787,365   | 1,951,345   | 1,881,733   | 1,803,691   | 1,945,071   | 2,012,788   | 2,118,198   | 2,315,693    | 2,504,617    |
| Sales and use taxes                                       | 1,056,780   | 1,101,859   | 1,052,011   | 1,081,005   | 1,121,257   | 1,218,576   | 1,247,374   | 1,282,573   | 1,425,525    | 1,451,441    |
| Income and franchise taxes                                | 1,736,361   | 1,755,894   | 1,478,068   | 1,434,131   | 1,656,283   | 1,956,590   | 2,094,179   | 2,094,754   | 2,316,727    | 2,417,206    |
| Gross receipts taxes                                      | 302,768     | 302,873     | 315,976     | 295,531     | 279,002     | 319,036     | 345,852     | 389,539     | 361,293      | 365,305      |
| Other taxes   | 498,198     | 413,401     | 261,909     | 264,959     | 403,199     | 404,066     | 400,308     | 423,354     | 528,866      | 498,161      |
| Investment earnings                                       | 124,420     | 95,847      | 28,242      | 19,156      | 6,122       | 21,944      | 6,071       | 6,810       | 5,855        | 11,601       |
| Miscellaneous   | 456,425     | 458,469     | 530,847     | 447,368     | 563,400     | 514,590     | 580,097     | 499,235     | 406,914      | 510,330      |
| Special items   | (8,838)     | 153,640     | 287,137     | 266,942     | -           | -           | -           | -           | -            | -            |
| Transfers   | 65,376      | 70,300      | 68,775      | 96,624      | 71,311      | 66,404      | 68,314      | 54,966      | 55,586       | 53,287       |
| Total governmental activities general revenues            | 5,776,815   | 6,139,648   | 5,974,310   | 5,787,449   | 5,904,265   | 6,446,277   | 6,754,983   | 6,869,429   | 7,416,459    | 7,811,948    |
| <b>Change in net position --- governmental activities</b> | \$ 445,302  | \$ (13,795) | \$ (44,070) | \$ 277,588  | \$ 155,360  | \$ 357,985  | \$ 300,785  | \$ 87,056   | \$ 53,519    | \$ 347,219   |

(Continued)

Footnotes are presented on page 180.

## Changes in Net Position

## Exhibit S-1B

Last Ten Fiscal Years

(accrual basis of accounting, dollars in thousands)

(Continued)

|  |             |             | *            |             | *           |             | **          |             | ***         |             |
|--|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2007        | 2008        | 2009         | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        |
| <b>Business activities</b>                                 |             |             |              |             |             |             |             |             |             |             |
| <b>Expenses</b>  |             |             |              |             |             |             |             |             |             |             |
| Lottery and games  | \$ 192,336  | \$ 182,981  | \$ 176,625   | \$ 163,393  | \$ 169,526  | \$ 183,185  | \$ 173,927  | \$ 161,144  | \$ 156,762  | \$ 174,882  |
| Unemployment compensation                                  | 99,920      | 150,237     | 370,775      | 480,976     | 408,997     | 344,913     | 255,645     | 160,403     | 119,267     | 114,633     |
| Nursing home services                                      | 37,556      | 40,837      | 44,601       | 18,817      | 4,555       | -           | -           | -           | -           | -           |
| Total business-type activities expenses                    | 329,812     | 374,055     | 592,001      | 663,186     | 583,078     | 528,098     | 429,572     | 321,547     | 276,029     | 289,515     |
| <b>Program revenues</b>                                    |             |             |              |             |             |             |             |             |             |             |
| Charges for services, fees, fines & forfeitures:           |             |             |              |             |             |             |             |             |             |             |
| Lottery and games  | 256,824     | 252,721     | 245,370      | 230,159     | 231,749     | 249,675     | 242,460     | 216,040     | 212,495     | 228,183     |
| Nursing home services                                      | 31,849      | 37,435      | 43,424       | 19,991      | 4,135       | -           | -           | -           | -           | -           |
| Operating grants & contributions                           | 18,358      | 21,191      | 36,985       | 36,998      | 34,968      | 27,945      | 32,790      | 9,766       | 14,561      | 12,028      |
| Total business-type activities program revenues            | 307,031     | 311,347     | 325,779      | 287,148     | 270,852     | 277,620     | 275,250     | 225,806     | 227,056     | 240,211     |
| <b>Net expenses</b>  | (22,781)    | (62,708)    | (266,222)    | (376,038)   | (312,226)   | (250,478)   | (154,322)   | (95,741)    | (48,973)    | (49,304)    |
| <b>General revenues</b>                                    |             |             |              |             |             |             |             |             |             |             |
| Taxes:   |             |             |              |             |             |             |             |             |             |             |
| Other taxes  | 90,117      | 92,733      | 94,622       | 129,471     | 128,875     | 133,618     | 131,025     | 141,760     | 148,889     | 145,887     |
| Investment earnings  | 20,841      | 21,317      | 19,061       | 13,584      | 11,764      | 8,517       | 7,723       | 7,340       | 7,666       | 8,532       |
| Miscellaneous  | 1,095       | 16,355      | 152,161      | 229,709     | 226,355     | 178,556     | 96,161      | 20,244      | -           | -           |
| Transfers  | (65,376)    | (70,300)    | (68,775)     | (96,624)    | (71,311)    | (66,404)    | (68,314)    | (54,966)    | (55,586)    | (53,287)    |
| Total business-type activities general revenues            | 46,677      | 60,105      | 197,069      | 276,140     | 295,683     | 254,287     | 166,595     | 114,378     | 100,969     | 101,132     |
| <b>Change in net position --- business-type activities</b> | 23,896      | (2,603)     | (69,153)     | (99,898)    | (16,543)    | 3,809       | 12,273      | 18,637      | 51,996      | 51,828      |
| <b>Total primary government</b>                            |             |             |              |             |             |             |             |             |             |             |
| <b>Expenses</b>  | 8,436,354   | 9,260,763   | 10,004,029   | 10,204,017  | 10,338,795  | 10,605,242  | 10,962,916  | 11,152,089  | 11,867,567  | 12,098,030  |
| <b>Program revenues</b>                                    | 3,082,060   | 3,044,612   | 3,719,427    | 4,318,118   | 4,277,664   | 4,266,472   | 4,354,396   | 4,273,975   | 4,455,654   | 4,583,997   |
| <b>Net expenses</b>  | (5,354,294) | (6,216,151) | (6,284,602)  | (5,885,899) | (6,061,131) | (6,338,770) | (6,608,520) | (6,878,114) | (7,411,913) | (7,514,033) |
| <b>General revenues</b>                                    | 5,823,492   | 6,199,753   | 6,171,379    | 6,063,589   | 6,199,948   | 6,700,564   | 6,921,578   | 6,983,807   | 7,517,428   | 7,913,080   |
| <b>Change in net position --- primary government</b>       | \$ 469,198  | \$ (16,398) | \$ (113,223) | \$ 177,690  | \$ 138,817  | \$ 361,794  | \$ 313,058  | \$ 105,693  | \$ 105,515  | \$ 399,047  |

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 &amp; 2012 information was adjusted.

\*\* In FY2013, the District implemented GASB Statement No. 65 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2013.

\*\*\* In FY2015, the District implemented GASB Statement No. 68 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2015.

\*\*\*\* FY 2015 governmental activities expenses revised to reflect reclassification.

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 45.

## Fund Balances - Governmental Funds

Exhibit S-1C

## Last Ten Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

|   | *                   |                     |                   |                   |
|---|---------------------|---------------------|-------------------|-------------------|
|   | 2007                | 2008                | 2009              | 2010              |
| <b>General Fund</b>                       |                     |                     |                   |                   |
| Reserved                                  | \$ 1,135,459        | \$ 957,977          | \$ 703,694        | \$ 836,181        |
| Unreserved                                | 358,541             | 286,745             | 216,789           | 94,588            |
| <b>Total general fund</b>                 | <b>\$ 1,494,000</b> | <b>\$ 1,244,722</b> | <b>\$ 920,483</b> | <b>\$ 930,769</b> |
| <b>All other governmental funds</b>       |                     |                     |                   |                   |
| Reserved, reported in:                    |                     |                     |                   |                   |
| Special revenue funds                     | \$ 460,556          | \$ 465,229          | \$ 507,678        | \$ 555,476        |
| Capital project funds                     | 835,024             | 629,805             | 417,212           | 137,922           |
| <b>Total all other governmental funds</b> | <b>\$ 1,295,580</b> | <b>\$ 1,095,034</b> | <b>\$ 924,890</b> | <b>\$ 693,398</b> |

In FY 2011, the District implemented GASB Statement #54; presentation is not comparable to prior years.

|   | *                   |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2011                | 2012                | 2013                | 2014                | 2015                | 2016                |
| <b>General Fund</b>                       |                     |                     |                     |                     |                     |                     |
| Nonspendable                              | \$ 18,465           | \$ 20,357           | \$ 16,015           | \$ 25,668           | \$ 12,734           | \$ 11,631           |
| Restricted                                | 756,650             | 856,277             | 976,071             | 983,011             | 1,026,396           | 1,030,895           |
| Committed                                 | 256,287             | 595,008             | 659,567             | 744,649             | 1,047,105           | 1,325,895           |
| Assigned                                  | 73,492              | 34,879              | 97,275              | 120,331             | 80,827              | 20,668              |
| Unassigned                                | -                   | -                   | -                   | -                   | -                   | -                   |
| <b>Total general fund</b>                 | <b>\$ 1,104,894</b> | <b>\$ 1,506,521</b> | <b>\$ 1,748,928</b> | <b>\$ 1,873,659</b> | <b>\$ 2,167,062</b> | <b>\$ 2,389,089</b> |
| <b>All other governmental funds</b>       |                     |                     |                     |                     |                     |                     |
| Nonspendable                              | \$ -                | \$ -                | \$ -                | \$ 9,736            | \$ 3,752            | \$ 2                |
| Restricted                                | 621,740             | 541,642             | 717,664             | 639,604             | 821,872             | 754,029             |
| Committed                                 | -                   | -                   | -                   | -                   | -                   | -                   |
| Assigned                                  | -                   | -                   | -                   | -                   | -                   | -                   |
| Unassigned                                | -                   | (116,269)           | -                   | (114,248)           | -                   | (228,870)           |
| <b>Total all other governmental funds</b> | <b>\$ 621,740</b>   | <b>\$ 425,373</b>   | <b>\$ 717,664</b>   | <b>\$ 535,092</b>   | <b>\$ 825,624</b>   | <b>\$ 525,161</b>   |

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 &amp; 2012 information was adjusted.

Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 46.

## Changes in Fund Balances - Governmental Funds

## Exhibit S-1D

## Last Ten Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

|  | 2007              | 2008                | 2009                | 2010                | 2011              | 2012              | 2013              | 2014               | 2015              | 2016               |
|--|-------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
| <b>REVENUES</b>  |                   |                     |                     |                     |                   |                   |                   |                    |                   |                    |
| Taxes  | \$ 5,146,007      | \$ 5,333,118        | \$ 5,042,487        | \$ 4,956,910        | \$ 5,260,486      | \$ 5,833,054      | \$ 6,128,210      | \$ 6,325,257       | \$ 6,988,738      | \$ 7,283,128       |
| Fines and forfeitures  | 101,971           | 99,452              | 106,169             | 128,473             | 129,448           | 185,771           | 178,708           | 143,124            | 129,283           | 202,314            |
| Licenses and permits   | 89,072            | 94,988              | 91,230              | 86,951              | 102,769           | 99,300            | 105,081           | 102,242            | 119,658           | 123,029            |
| Charges for services   | 143,934           | 184,709             | 202,079             | 234,598             | 257,884           | 252,332           | 247,426           | 256,020            | 290,020           | 273,404            |
| Investment earnings  | 124,420           | 95,847              | 28,242              | 19,156              | 5,789             | 21,728            | 6,608             | 6,810              | 5,855             | 11,601             |
| Miscellaneous  | 444,262           | 457,747             | 524,046             | 447,365             | 549,006           | 514,694           | 511,582           | 552,455            | 414,500           | 457,163            |
| Federal contributions  | 440,962           | 433,206             | 573,446             | 670,186             | 617,845           | 554,979           | 555,038           | 519,846            | 554,342           | 521,828            |
| Operating grants   | 1,999,090         | 1,920,910           | 2,420,724           | 2,910,762           | 2,898,866         | 2,896,470         | 2,992,893         | 3,026,937          | 3,135,295         | 3,223,211          |
| <b>Total revenues</b>  | <b>8,489,718</b>  | <b>8,619,977</b>    | <b>8,988,423</b>    | <b>9,454,401</b>    | <b>9,822,093</b>  | <b>10,358,328</b> | <b>10,725,546</b> | <b>10,932,691</b>  | <b>11,637,691</b> | <b>12,095,678</b>  |
| <b>EXPENDITURES</b>  |                   |                     |                     |                     |                   |                   |                   |                    |                   |                    |
| Governmental direction and support                               | 651,974           | 695,175             | 672,463             | 657,935             | 698,117           | 787,331           | 810,803           | 920,513            | 1,027,473         | 1,068,253          |
| Economic development and regulation                              | 444,508           | 461,707             | 405,140             | 388,424             | 351,814           | 318,266           | 383,143           | 411,812            | 448,244           | 560,365            |
| Public safety and justice  | 1,241,684         | 1,369,907           | 1,381,873           | 1,546,473           | 1,517,640         | 1,469,727         | 1,513,469         | 1,515,470          | 1,521,196         | 1,671,804          |
| Public education system  | 1,541,194         | 1,716,701           | 1,850,200           | 1,904,023           | 1,943,438         | 1,980,384         | 2,084,613         | 2,128,137          | 2,246,209         | 2,309,778          |
| Human support services   | 2,975,821         | 3,222,979           | 3,485,267           | 3,669,367           | 3,823,317         | 3,881,043         | 4,042,204         | 4,261,400          | 4,438,448         | 4,514,647          |
| Public works   | 329,942           | 416,982             | 388,713             | 318,590             | 265,750           | 342,215           | 287,598           | 329,355            | 354,686           | 365,437            |
| Public transportation  | 198,484           | 214,905             | 230,499             | 243,668             | 257,703           | 221,339           | 284,851           | 309,436            | 335,703           | 359,097            |
| Debt service:  |                   |                     |                     |                     |                   |                   |                   |                    |                   |                    |
| Principal  | 232,389           | 251,998             | 277,523             | 209,746             | 211,696           | 217,645           | 254,312           | 306,498            | 301,001           | 361,375            |
| Interest   | 258,769           | 287,354             | 292,484             | 300,123             | 333,872           | 375,461           | 410,020           | 422,450            | 421,549           | 449,347            |
| Fiscal charges   | 15,095            | 25,330              | 19,659              | 64,532              | 14,296            | 15,447            | 8,640             | 4,895              | 8,311             | 3,732              |
| <b>Total debt service</b>  | <b>506,253</b>    | <b>564,682</b>      | <b>589,666</b>      | <b>574,401</b>      | <b>559,864</b>    | <b>608,553</b>    | <b>672,972</b>    | <b>733,843</b>     | <b>730,861</b>    | <b>814,454</b>     |
| <b>Subtotal expenditures</b>                                     | <b>7,889,860</b>  | <b>8,663,038</b>    | <b>9,003,821</b>    | <b>9,302,881</b>    | <b>9,417,643</b>  | <b>9,608,858</b>  | <b>10,079,653</b> | <b>10,609,966</b>  | <b>11,102,820</b> | <b>11,663,835</b>  |
| Capital outlay   | 1,024,541         | 1,390,415           | 1,130,971           | 1,359,488           | 1,189,356         | 1,152,943         | 1,208,481         | 1,123,073          | 1,196,394         | 1,107,239          |
| <b>Total expenditures</b>  | <b>8,914,401</b>  | <b>10,053,453</b>   | <b>10,134,792</b>   | <b>10,662,369</b>   | <b>10,606,999</b> | <b>10,761,801</b> | <b>11,288,134</b> | <b>11,733,039</b>  | <b>12,299,214</b> | <b>12,771,074</b>  |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(424,683)</b>  | <b>(1,433,476)</b>  | <b>(1,146,369)</b>  | <b>(1,207,968)</b>  | <b>(784,906)</b>  | <b>(403,473)</b>  | <b>(562,588)</b>  | <b>(800,348)</b>   | <b>(661,523)</b>  | <b>(675,396)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                   |                     |                     |                     |                   |                   |                   |                    |                   |                    |
| Debt issuance  | 610,580           | 664,105             | 491,645             | 750,298             | 745,025           | 439,370           | 833,286           | 597,230            | 1,034,252         | 431,815            |
| Refunding debt issuance  | 251,155           | 675,895             | 580,140             | 835,010             | 63,860            | 608,210           | 25,005            | 475,305            | 231,255           | 95,575             |
| Premium on sale of bonds   | 16,063            | 36,282              | 50,198              | 89,505              | 24,711            | 124,679           | 154,681           | 85,679             | 155,540           | 84,235             |
| Payment to refunded bond escrow agent                            | (264,334)         | (675,385)           | (607,640)           | (855,011)           | (63,335)          | (679,843)         | (28,929)          | (503,439)          | (256,765)         | (95,120)           |
| Equipment financing program                                      | 42,471            | 36,479              | 62,068              | 34,162              | 45,801            | 49,463            | 41,016            | 31,716             | 25,590            | 11,368             |
| Transfers in   | 694,229           | 477,829             | 447,639             | 429,033             | 302,059           | 353,087           | 364,563           | 331,676            | 358,736           | 460,462            |
| Transfers out  | (628,853)         | (407,529)           | (378,864)           | (332,409)           | (230,748)         | (286,683)         | (296,249)         | (276,710)          | (303,150)         | (407,175)          |
| Sale of capital assets   | 12,168            | 726                 | 6,800               | -                   | -                 | 450               | 3,913             | 1,050              | -                 | 15,800             |
| <b>Total other financing sources</b>                             | <b>733,479</b>    | <b>808,402</b>      | <b>651,986</b>      | <b>950,588</b>      | <b>887,373</b>    | <b>608,733</b>    | <b>1,097,286</b>  | <b>742,507</b>     | <b>1,245,458</b>  | <b>596,960</b>     |
| Special items  | (8,838)           | 175,250             | -                   | -                   | -                 | -                 | -                 | -                  | -                 | -                  |
| <b>Net change in fund balances</b>                               | <b>\$ 299,958</b> | <b>\$ (449,824)</b> | <b>\$ (494,383)</b> | <b>\$ (257,380)</b> | <b>\$ 102,467</b> | <b>\$ 205,260</b> | <b>\$ 534,698</b> | <b>\$ (57,841)</b> | <b>\$ 583,935</b> | <b>\$ (78,436)</b> |
| Total capitalized expenditures                                   | \$ 857,739        | \$ 1,402,291        | \$ 1,222,453        | \$ 1,455,655        | \$ 936,823        | \$ 999,605        | \$ 925,053        | \$ 893,504         | \$ 905,635        | \$ 936,960         |
| <b>Debt service as a percentage of noncapital expenditures</b>   | 6.10%             | 6.23%               | 6.40%               | 5.54%               | 5.64%             | 6.08%             | 6.41%             | 6.72%              | 6.34%             | 6.85%              |

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 &amp; 2012 information was adjusted.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 47.

## Tax Revenues by Source - Governmental Funds

Exhibit S-1E

## Last Ten Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

| Fiscal Year | Property Tax |           |           | Sales and<br>Use | Income and<br>Franchise | Gross<br>Receipts | Other<br>Taxes | Total        |
|-------------|--------------|-----------|-----------|------------------|-------------------------|-------------------|----------------|--------------|
|             | Real         | Personal  | Rental    |                  |                         |                   |                |              |
| 2007        | \$ 1,452,267 | \$ 67,394 | \$ 32,239 | \$ 1,056,780     | \$ 1,736,361            | \$ 302,768        | \$ 498,198     | \$ 5,146,007 |
| 2008        | 1,666,315    | 59,690    | 33,086    | 1,101,859        | 1,755,894               | 302,873           | 413,401        | 5,333,118    |
| 2009        | 1,832,748    | 69,163    | 32,612    | 1,052,011        | 1,478,068               | 315,976           | 261,909        | 5,042,487    |
| 2010        | 1,790,519    | 56,501 *  | 34,264 ** | 1,081,005        | 1,434,131               | 295,531           | 264,959        | 4,956,910    |
| 2011        | 1,715,069    | 52,696    | 32,980    | 1,121,257        | 1,656,283               | 279,002           | 403,199        | 5,260,486    |
| 2012        | 1,843,918    | 55,734    | 35,134    | 1,218,576        | 1,956,590               | 319,036           | 404,066        | 5,833,054    |
| 2013        | 1,940,169    | 54,878    | 45,450    | 1,247,374        | 2,094,179               | 345,852           | 400,308        | 6,128,210    |
| 2014        | 2,037,905    | 55,413    | 41,719    | 1,282,573        | 2,094,754               | 389,539           | 423,354        | 6,325,257    |
| 2015        | 2,219,859    | 57,225    | 79,243    | 1,425,525        | 2,316,727               | 361,293           | 528,866        | 6,988,738    |
| 2016        | 2,386,010    | 59,101    | 58,780    | 1,451,441        | 2,464,330               | 365,305           | 498,161        | 7,283,128    |

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

\*\* Corrected to reflect proper classification

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 47.



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## 2. REVENUE CAPACITY

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

## Assessed Value and Estimated Actual Value of Taxable Property

## Exhibit S-2A

Last Ten Fiscal Years

(dollars in thousands)

| Fiscal Year | Estimated Actual Value |                        | Total Taxable  | Tax Exempt    | Total Value    | Total Direct Tax Rate** | Tax Exempt as a % of Total Value |
|-------------|------------------------|------------------------|----------------|---------------|----------------|-------------------------|----------------------------------|
|             | Commercial Property    | Residential Property * |                |               |                |                         |                                  |
| 2007        | \$ 51,748,487          | \$ 73,126,786          | \$ 124,875,273 | \$ 57,690,545 | \$ 182,565,818 | 1.31                    | 31.6%                            |
| 2008        | 61,557,827             | 81,400,361             | 142,958,188    | 67,869,520    | 210,827,708    | 1.30                    | 32.2%                            |
| 2009        | 68,495,502             | 84,544,053             | 153,039,555    | 81,211,121    | 234,250,676    | 1.29                    | 34.7%                            |
| 2010        | 68,254,862             | 81,862,427             | 150,117,289    | 82,113,504    | 232,230,793    | 1.30                    | 35.4%                            |
| 2011        | 59,224,100             | 80,063,402             | 139,287,502    | 81,528,158    | 220,815,660    | 1.25                    | 36.9%                            |
| 2012        | 65,903,077             | 80,598,880             | 146,501,957    | 83,399,263    | 229,901,220    | 1.26                    | 36.3%                            |
| 2013        | 70,337,945             | 81,406,777             | 151,744,722    | 84,690,034    | 236,434,756    | 1.23                    | 35.8%                            |
| 2014        | 74,834,806             | 85,465,264             | 160,300,070    | 87,287,954    | 247,588,024    | 1.24                    | 35.3%                            |
| 2015        | 82,287,797             | 94,623,356             | 176,911,153    | 90,854,809    | 267,765,962    | 1.32                    | 33.9%                            |
| 2016        | 86,644,638             | 102,457,968            | 189,102,606    | 91,429,157    | 280,531,763    | 1.32                    | 32.6%                            |

\* After deduction of homestead exemption and credits against tax for 2007; Does not reflect the 2007-2014 Cap Assessment of 10% for Class 01 with Homestead Exemptions; After deduction of Homestead Exemption for 2008- 2014

\*\*The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Note: Assessed value is 100 percent of estimated actual value

Source: Office of Tax and Revenue

## Direct Property Tax Rates

## Exhibit S-2B

Last Ten Fiscal Years

| Fiscal Year | Direct Property Tax Rate<br>(Per \$100 Assessed Valuation) |                                 |                       | Total Direct |
|-------------|--|---------------------------------|-----------------------|--------------|
|             | Basic Rate   | General Obligation Debt Service | Redevelopment Program |              |
| 2007        | 0.86   | 0.45                            | -                     | 1.31         |
| 2008        | 0.98   | 0.32                            | -                     | 1.30         |
| 2009        | 1.01   | 0.28                            | -                     | 1.29         |
| 2010        | 1.02   | 0.28                            | -                     | 1.30         |
| 2011        | 0.97   | 0.28                            | -                     | 1.25         |
| 2012        | 1.12   | 0.14                            | -                     | 1.26         |
| 2013        | 1.12   | 0.11                            | -                     | 1.23         |
| 2014        | 1.13   | 0.11                            | -                     | 1.24         |
| 2015        | 1.18   | 0.14                            | -                     | 1.32         |
| 2016        | 1.16   | 0.16                            | -                     | 1.32         |

Note: The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: Office of Tax and Revenue

## Major Tax Rates

## Exhibit S-2C

Last Ten Fiscal Years

| Fiscal Year | Property (per \$100 of assessed value) |                 |            |            |                |          | Sales and Use |               |                | Income and Franchise |              | Gross Receipt      |             |
|-------------|--|-----------------|------------|------------|----------------|----------|---------------|---------------|----------------|----------------------|--------------|--------------------|-------------|
|             | Residential                            |                 | Commercial |            |                | Personal | General (1)   | Cigarette (2) | Motor Fuel (3) | Individual (4)       | Business (5) | Public Utility (6) |             |
|             | Owner occupied                         | Tenant occupied | Hotels     | Improved   | Unimproved     |          |               |               |                |                      |              | Commercial         | Residential |
| 2007        | 0.88                                   | 0.88            | 1.85       | 1.85       | 5.00           | 3.40     | 0.0575        | 1.00          | 0.20           | .040-.085            | 0.09975      | 0.11               | 0.10        |
| 2008        | 0.85                                   | 0.85            | 1.85       | 1.85       | 5.00           | 3.40     | 0.0575        | 1.00          | 0.20           | .040-.085            | 0.09975      | 0.11               | 0.10        |
| 2009        | 0.85                                   | 0.85            | 1.65/1.85* | 1.65/1.85* | 10.00          | 3.40     | 0.0575        | 2/2.5**       | 0.20           | .040-.085            | 0.09975      | 0.11               | 0.10        |
| 2010        | 0.85                                   | 0.85            | 1.65/1.85  | 1.65/1.85  | 10.00          | 3.40     | 0.0600        | 2/2.5         | 0.24           | .040-.085            | 0.09975      | 0.11               | 0.10        |
| 2011        | 0.85                                   | 0.85            | 1.85       | 1.85       | 0.85/1.65/1.85 | 3.40     | 0.0600        | 2.5/3.13      | 0.24           | .040-.085            | 0.09975      | 0.11               | 0.10        |
| 2012        | 0.85                                   | 0.85            | 1.85       | 1.85       | 0.85/1.65/1.85 | 3.40     | 0.0600        | 2.86/3.57     | 0.24           | .040-.089            | 0.09975      | 0.11               | 0.10        |
| 2013        | 0.85                                   | 0.85            | 1.85       | 1.85       | 0.85/1.65/1.85 | 3.40     | 0.0600        | 2.86/3.57     | 0.24           | .040-.089            | 0.09975      | 0.11               | 0.10        |
| 2014        | 0.85                                   | 0.85            | 1.85       | 1.85       | 0.85/1.65/1.85 | 3.40     | 0.0575        | 2.86/3.57     | 0.24           | .040-.089            | 0.09975      | 0.11               | 0.10        |
| 2015        | 0.85                                   | 0.85            | 1.85       | 1.85       | 0.85/1.65/1.85 | 3.40     | 0.0575        | 2.90/3.62     | 0.24           | .040-.089            | 0.09400      | 0.11               | 0.10        |
| 2016        | 0.85                                   | 0.85            | 1.85       | 1.85       | 0.85/1.65/1.85 | 3.40     | 0.0575        | 2.91/3.63     | 0.24           | .040-.089            | 0.09200      | 0.11               | 0.10        |

Source: Office of Tax and Revenue

\* \$1.65 for Commercial Improved properties assessed at up to \$3 million; 1.85 for all residuals above \$3 million.

\*\* \$2 per pack of 20 and \$2.50 per pack of 25

(1) Of sales value

(2) Per package of 20 &amp; 25

(3) Per gallon

(4) Of taxable Income

(5) Of net income

(6) Of gross charges (gas, lighting, telephone)

## Principal Property Taxpayers

## Exhibit S-2D

Current Year and Nine Years Ago

(dollars in thousands)

| Taxpayer                                   | 2016                   |      |                                   | 2007                   |      |                                   |
|--|------------------------|------|-----------------------------------|------------------------|------|-----------------------------------|
|  | Taxable Assessed Value | Rank | % of Total Taxable Assessed Value | Taxable Assessed Value | Rank | % of Total Taxable Assessed Value |
| CC OWNER LLC                               | \$ 746,505             | 1    | 0.395%                            | \$ 119,234             | 79   | 0.095%                            |
| JBG/FEDERAL CENTER LLC                     | 658,106                | 2    | 0.348%                            | 454,228                | 1    | 0.364%                            |
| CARR CRHP PROPERTIES LLC                   | 632,596                | 3    | 0.335%                            | 340,781                | 4    | 0.273%                            |
| WASHINGTON SQUARE LIMITED PARTNERSHIP      | 588,441                | 4    | 0.311%                            | 318,156                | 6    | 0.255%                            |
| 555 12TH REIT LLC                          | 530,513                | 5    | 0.281%                            | 437,667                | 2    | 0.350%                            |
| UNITED BROTHERHOOD CRPT JNR AM NATL H S FD | 505,735                | 6    | 0.267%                            | 230,000                | 14   | 0.184%                            |
| WARNER INVESTMENTS LP                      | 447,762                | 7    | 0.237%                            | 333,000                | 5    | 0.267%                            |
| BLENHEIM DC I LLC                          | 429,877                | 8    | 0.227%                            | 232,798                | 13   | 0.186%                            |
| 13th & F ASSOCIATES LP                     | 421,919                | 9    | 0.223%                            | 342,827                | 3    | 0.275%                            |
| GEORGE WASHINGTON UNIVERSITY               | 399,317                | 10   | 0.211%                            | ***                    | ***  | ***                               |

\*\*\* Property was not active in 2007

Source: Office of Tax and Revenue

## Ten Highest Assessed Values For Tax Exempt Properties

Exhibit S-2E

## Current Year

(dollars in thousands)

| Property  | Value      |
|---|------------|
| International finance corporation                   | \$ 641,421 |
| Inter-american development bank                     | 607,467    |
| International bank for reconstruction & development | 549,163    |
| Protestant episcopal cathedral foundation DC        | 453,168    |
| Catholic university of america                      | 386,066    |
| International monetary fund                         | 381,084    |
| President and directors of georgetown university    | 368,584    |
| International monetary fund                         | 348,167    |
| The freedom forum inc                               | 271,216    |
| President and directors of gonzaga college          | 258,914    |

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

Source: Office of Tax and Revenue

## Property Tax Levies and Collections

Exhibit S-2F

## Last Ten Fiscal Years

(dollars in thousands)

| Fiscal<br>Year<br>Ended<br>Sept 30 | Current Levy |               |                      | Prior Years                       |             |                      | Total        |              |       |
|------------------------------------|--------------|---------------|----------------------|-----------------------------------|-------------|----------------------|--------------|--------------|-------|
|                                    | Levy         | Collections   | Percent<br>Collected | Outstanding<br>Balances<br>Billed | Collections | Percent<br>Collected | Billed       | Collected    | Total |
| 2007                               | \$ 1,405,056 | \$ 1,361,132  | 96.9%                | \$ 75,081                         | \$ 66,500   | 88.6%                | \$ 1,480,137 | \$ 1,427,632 | 96.5% |
| 2008                               | 1,662,835    | 1,615,583     | 97.2%                | 70,895                            | 59,885      | 84.5%                | 1,733,730    | 1,675,468    | 96.6% |
| 2009                               | 1,861,953    | 1,752,290 (1) | 94.1%                | 100,910                           | 65,868 (1)  | 65.3%                | 1,962,863    | 1,818,158    | 92.6% |
| 2010                               | 1,792,100    | 1,735,602 (2) | 96.8%                | 144,883                           | 94,683 (2)  | 65.4%                | 1,936,983    | 1,830,285    | 94.5% |
| 2011                               | 1,639,902    | 1,610,533     | 98.2%                | 226,333                           | 111,465     | 49.2%                | 1,866,235    | 1,721,998    | 92.3% |
| 2012                               | 1,814,958    | 1,784,196     | 98.3%                | 152,954                           | 78,989      | 51.6%                | 1,967,912    | 1,863,185    | 94.7% |
| 2013                               | 1,909,967    | 1,872,534     | 98.0%                | 145,546                           | 82,977      | 57.0%                | 2,055,513    | 1,955,511    | 95.1% |
| 2014                               | 2,000,814    | 1,969,905     | 98.5%                | 139,400                           | 80,076      | 57.4%                | 2,140,214    | 2,049,981    | 95.8% |
| 2015                               | 2,220,771    | 2,180,283     | 98.2%                | 119,381                           | 68,945      | 57.8%                | 2,340,152    | 2,249,228    | 96.1% |
| 2016                               | 2,357,764    | 2,317,713     | 98.3%                | 94,796                            | 76,119      | 80.3%                | 2,452,560    | 2,393,832    | 97.6% |

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

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

Note: Table reflects a modification to the tax levy data previously reported, which included new billings of prior year tax, penalty and interest amounts due. Data has been reformatted to specifically identify prior year amounts included in the annual amounts billed.

Source: Office of Tax and Revenue

## Personal Income Tax Rates

## Exhibit S-2G

Last Ten Fiscal Years

| Year | Top Rate | Top Income Tax Rate is Applied to Taxable<br>Income in Excess of Listed Amounts |                              |                      | * Average<br>Effective<br>Rate |
|------|----------|---|------------------------------|----------------------|--------------------------------|
|      |          | Single  | Married<br>Filing<br>Jointly | Head of<br>Household |                                |
| 2007 | 8.50%    | \$ 40,000   | \$ 40,000                    | \$ 40,000            | 6.20%                          |
| 2008 | 8.50%    | 40,000  | 40,000                       | 40,000               | 5.93%                          |
| 2009 | 8.50%    | 40,000  | 40,000                       | 40,000               | 5.64%                          |
| 2010 | 8.50%    | 40,000  | 40,000                       | 40,000               | 5.36%                          |
| 2011 | 8.50%    | 40,000  | 40,000                       | 40,000               | 5.32%                          |
| 2012 | ** 8.95% | 350,000   | 350,000                      | 350,000              | 5.48%                          |
| 2013 | 8.95%    | 350,000   | 350,000                      | 350,000              | 5.60%                          |
| 2014 | 8.95%    | 350,000   | 350,000                      | 350,000              | 6.33%                          |
| 2015 | 8.95%    | 350,000   | 350,000                      | 350,000              | 6.66%                          |
| 2016 | 8.95%    | 350,000   | 350,000                      | 350,000              | N/A                            |

N/A: Not Available

\* Fiscal year personal income tax collections divided by prior-year personal income.

\*\* 2012 numbers reflect tax law changes.

Source: Office of Tax and Revenue

## Personal Income Tax Filers and Liability by Income Level

## Exhibit S-2H

Current Year and Nine Years Ago

|                      | 2016                   |                        |                                     |                        | 2007                   |                        |                                     |                        |
|----------------------|------------------------|------------------------|-------------------------------------|------------------------|------------------------|------------------------|-------------------------------------|------------------------|
|                      | Number<br>of<br>Filers | Percentage<br>of Total | Personal<br>Income Tax<br>Liability | Percentage<br>of Total | Number<br>of<br>Filers | Percentage<br>of Total | Personal<br>Income Tax<br>Liability | Percentage<br>of Total |
| \$100,001 and higher | 72,299                 | 20.3%                  | \$1,322,794,799                     | 75.41%                 | 39,029                 | 12.9%                  | \$ 880,991,794                      | 67.4%                  |
| \$75,001 - \$100,000 | 31,528                 | 8.9%                   | 145,132,702                         | 8.27%                  | 18,979                 | 6.3%                   | 96,360,960                          | 7.4%                   |
| \$50,001 - \$75,000  | 53,133                 | 14.9%                  | 150,036,489                         | 8.55%                  | 36,644                 | 12.1%                  | 120,192,078                         | 9.2%                   |
| \$25,001 - \$50,000  | 84,530                 | 23.7%                  | 112,102,557                         | 6.39%                  | 78,407                 | 25.9%                  | 131,052,362                         | 10.0%                  |
| \$10,001 - \$25,000  | 67,556                 | 18.9%                  | 22,987,078                          | 1.31%                  | 64,225                 | 21.3%                  | 36,546,777                          | 2.8%                   |
| \$10,000 and lower   | 47,564                 | 13.3%                  | 1,259,792                           | 0.07%                  | 64,977                 | 21.5%                  | 41,589,468                          | 3.2%                   |
| Total                | 356,610                | 100.0%                 | \$1,754,313,417                     | 100.00%                | 302,261                | 100.0%                 | \$1,306,733,439                     | 100.0%                 |

Note: Amounts not expressed in thousands.

Source: Office of Tax and Revenue



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### 3. DEBT CAPACITY

These schedules present information showing the District's current levels of outstanding debt, and the District's ability to issue additional debt in the future.

## Ratios of General Obligation Bonds Outstanding

Exhibit S-3A

## Last Ten Fiscal Years

(dollars in thousands, except per capita)

| Fiscal Year | General<br>Obligation Bonds<br>(GO) | Actual Value of<br>Taxable Property | GO Bonds as a Percentage<br>of Actual Value of Taxable<br>Property | GO Debt Per<br>Capita * |
|-------------|-------------------------------------|-------------------------------------|--|-------------------------|
| 2007        | \$ 4,140,133                        | \$ 124,875,273                      | 3.32%  | \$ 7,060                |
| 2008        | 4,592,518                           | 142,958,188                         | 3.21%  | 7,917                   |
| 2009        | 3,766,628                           | 153,039,555                         | 2.46%  | 6,281                   |
| 2010        | 2,781,053                           | 150,117,289                         | 1.85%  | 4,595                   |
| 2011        | 2,829,598                           | 139,287,502                         | 2.03%  | 4,561                   |
| 2012        | 2,295,225                           | 146,501,957                         | 1.57%  | 3,614                   |
| 2013        | 2,245,185                           | 151,744,722                         | 1.48%  | 3,459                   |
| 2014        | 2,790,935                           | 160,300,070                         | 1.74%  | 4,230                   |
| 2015        | 3,530,770                           | 176,911,153                         | 2.00%  | 5,267                   |
| 2016        | 3,829,305                           | 189,102,606                         | 2.02%  | 5,622                   |

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

## Pledged-Revenue Coverage

## Exhibit S-3B

## Last Ten Fiscal Years

(dollars in thousands)

| Fiscal Year | Tax Increment Financing Debts |                                      |              |          |          |           | Income Tax Secured Revenue Bonds |                              |              |           |          |
|-------------|-------------------------------|--------------------------------------|--------------|----------|----------|-----------|----------------------------------|------------------------------|--------------|-----------|----------|
|             | Sales Tax<br>Increment        | Real<br>Property<br>Tax<br>Increment | Debt Service |          |          | Coverage  | Individual<br>Income Tax         | Business<br>Franchise<br>Tax | Debt Service |           |          |
|             |                               |                                      | Principal    | Interest | Coverage |           |                                  |                              | Principal    | Interest  | Coverage |
| 2007        | \$ 8,948                      | \$ 3,516                             | \$ 4,666     | \$ 5,042 | 128.39%  | \$ -      | \$ -                             | \$ -                         | \$ -         | -         | 0.00%    |
| 2008        | 9,090                         | 1,563                                | 4,565        | 5,147    | 109.69%  | -         | -                                | -                            | -            | -         | 0.00%    |
| 2009        | 10,032                        | 4,918                                | 4,467        | 5,245    | 153.93%  | 1,135,938 | 342,130                          | -                            | 7,974        | 18536.09% |          |
| 2010        | 7,529                         | 4,431                                | 4,390        | 5,320    | 123.17%  | 1,110,444 | 323,687                          | -                            | 59,710       | 2401.83%  |          |
| 2011        | 10,904                        | 3,750                                | 4,323        | 5,385    | 150.95%  | 1,296,598 | 359,684                          | 23,160                       | 136,175      | 1039.50%  |          |
| 2012        | 9,747                         | 9,711                                | 8,034        | 6,452    | 134.32%  | 1,490,694 | 465,896                          | 90,755                       | 134,090      | 870.20%   |          |
| 2013        | 11,238                        | 7,119                                | 4,203        | 6,496    | 171.58%  | 1,640,899 | 453,280                          | 117,740                      | 193,898      | 671.99%   |          |
| 2014        | 7,178                         | 10,324                               | 3,973        | 6,719    | 163.69%  | 1,679,173 | 415,581                          | 148,120                      | 205,724      | 592.00%   |          |
| 2015        | 9,133                         | 12,328                               | 3,914        | 6,785    | 200.59%  | 1,868,037 | 447,805                          | 138,580                      | 204,933      | 674.16%   |          |
| 2016        | 8,203                         | 10,132                               | 4,073        | 6,839    | 168.03%  | 1,907,862 | 556,468                          | 88,155                       | 179,702      | 920.02%   |          |

## Note:

Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements (Note 8 presented on pages 109 through 119).

Beginning in FY 2010, the District revised the presentation of this Exhibit by removing sales tax and real property tax increments that were dedicated to debt service associated with tax increment financing (other than the Gallery Place TIF Bonds and the Mandarin Hotel TIF Bonds) for which the principal and interest components of debt service were dedicated.

Beginning in FY 2012, the City Market at O Street TIF was added to the presentation.

## Ratios of Outstanding Debt by Type

## Exhibit S-3C

Last Ten Fiscal Years

(dollars in thousands, except per capita)

| Fiscal Year | Governmental Activities  |                          |            |                              |                               |                |                |               |                       |                 |                  |              | Personal Income(2) | Total Debt as a Percentage of Personal Income | Total Debt Per Capita | Total "Tax Supported Debt" Per Capita |
|-------------|--------------------------|--------------------------|------------|------------------------------|-------------------------------|----------------|----------------|---------------|-----------------------|-----------------|------------------|--------------|--------------------|---|-----------------------|---------------------------------------|
|             | General Obligation Bonds | Income Tax Secured Bonds | TIF Bonds  | Qualified Zone Academy Bonds | Certificates of Participation | Capital Leases | Ballpark Bonds | HPTF Bonds(3) | PILOT Revenue Bond(4) | GARVEE Bonds(5) | Tobacco Bonds(1) | Total Debt   |                    |   |                       |                                       |
| 2007        | \$ 4,140,133             | \$ -                     | \$ 105,229 | \$ 4,787                     | \$ 270,780                    | \$ 59,868      | \$ 528,490     | \$ 34,105     | \$ -                  | \$ -            | \$ 737,069       | \$ 5,880,461 | \$ 36,817,750      | 16.0%   | \$ 10,028             | \$ 8,771                              |
| 2008        | 4,592,518                | -                        | 100,664    | 6,713                        | 261,375                       | 52,403         | 526,415        | 33,570        | 155,630               | -               | 724,484          | 6,453,772    | 40,359,750         | 16.0%   | 11,126                | 9,877                                 |
| 2009        | 3,766,628                | 1,071,785                | 96,196     | 6,044                        | 251,515                       | 44,492         | 521,750        | 33,010        | 142,138               | -               | 711,239          | 6,644,797    | 40,403,096         | 16.4%   | 11,081                | 9,895                                 |
| 2010        | 2,781,053                | 2,570,650                | 91,807     | 9,518                        | 241,185                       | 36,108         | 517,390        | 85,615        | 156,621               | -               | 699,779          | 7,189,726    | 41,499,722         | 17.3%   | 11,880                | 10,723                                |
| 2011        | 2,829,598                | 3,029,100                | 87,484     | 8,573                        | 230,335                       | 27,433         | 512,850        | 84,335        | 142,375               | 82,610          | 690,289          | 7,724,982    | 45,272,125         | 17.1%   | 12,451                | 11,205                                |
| 2012        | 2,295,225                | 3,799,645                | 112,985    | 7,628                        | 218,935                       | 18,972         | 507,935        | 82,805        | 127,924               | 78,775          | 677,219          | 7,928,048    | 46,873,665         | 16.9%   | 12,484                | 11,294                                |
| 2013        | 2,245,185                | 4,457,675                | 108,782    | 6,682                        | 206,965                       | 11,024         | 502,255        | 120,450       | 82,207                | 117,570         | 647,459          | 8,506,254    | 48,118,236         | 17.7%   | 13,104                | 11,926                                |
| 2014        | 2,790,935                | 4,465,820                | 104,809    | 5,736                        | -                             | 8,162          | 474,420        | 118,055       | 70,030                | 111,110         | 631,294          | 8,780,371    | 46,015,860         | 19.1%   | 13,307                | 12,182                                |
| 2015        | 3,530,770                | 4,327,855                | 100,895    | 4,791                        | -                             | 5,105          | 467,360        | 115,565       | 215,647               | 104,395         | 616,404          | 9,488,787    | 48,453,108         | 19.6%   | 14,154                | 13,079                                |
| 2016        | 3,829,305                | 4,240,155                | 96,822     | 3,845                        | -                             | 1,837          | 371,305        | 112,965       | 214,213               | 97,420          | 600,974          | 9,568,841    | 51,882,666         | 18.4%   | 14,048                | 13,022                                |

Note:

There are no business-type activities with outstanding debt.

Prior year per capita amounts were updated to reflect U.S. Census Bureau population estimates.

Convention Center bonds are not included in this table.

(1) Tobacco and GARVEE bonds are not supported by general tax revenues and are not included in the Total "Tax Supported Debt" Per Capita calculation.

(2) The prior year personal income amounts were updated to reflect current methodology and further enhance the presentation of the data.

(3) HPTF - Housing Production Trust Fund

(4) PILOT - Payment in Lieu of Taxes

(5) GARVEE - Federal Highway Grant Anticipation Revenue Bonds

## Legal Debt Margin Information

## Exhibit S-3D

## Last Ten Fiscal Years

(dollars in thousands)

## Debt Service Cost Margin Calculation for Fiscal Year 2016:

|  |                   |                          |
|--|-------------------|--------------------------|
| General fund revenue                                       |                   | <u>\$8,073,856</u>       |
| Debt service cost limitation (17% of general fund revenue) |                   | <u>\$1,372,556</u>       |
| Debt expenditure applicable to limit:                      |                   |                          |
| Principal  | \$ 228,793        |                          |
| Interest   | <u>362,860</u>    |                          |
| Subtotal for current year                                  | <u>591,653</u>    |                          |
| Highest debt service cost                                  | <u>\$ 591,653</u> |                          |
| Total debt service cost subject to the limitation          |                   | <u>591,653</u>           |
| <b>Debt service cost margin</b>                            |                   | <b><u>\$ 780,903</u></b> |

|  | 2007              | 2008              | 2009              | 2010              | 2011              | 2012              | 2013              | 2014              | 2015              | 2016              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt service cost limitation   | \$1,000,684       | \$1,039,711       | \$1,002,774       | \$ 977,459        | \$1,019,192       | \$1,119,360       | \$1,165,281       | \$1,206,218       | \$1,302,425       | \$1,372,556       |
| Highest debt service cost  | 406,161           | 456,152           | 408,506           | 408,555           | 456,152           | 464,994           | 513,639           | 576,273           | 596,468           | 591,653           |
| Debt service cost margin   | <u>\$ 594,523</u> | <u>\$ 583,559</u> | <u>\$ 594,268</u> | <u>\$ 568,904</u> | <u>\$ 563,040</u> | <u>\$ 654,366</u> | <u>\$ 651,642</u> | <u>\$ 629,945</u> | <u>\$ 705,957</u> | <u>\$ 780,903</u> |
| Total debt service cost subject to the limit<br>as a percentage of debt service cost limit | <u>40.6%</u>      | <u>43.9%</u>      | <u>40.7%</u>      | <u>41.8%</u>      | <u>44.8%</u>      | <u>41.5%</u>      | <u>44.1%</u>      | <u>47.8%</u>      | <u>45.8%</u>      | <u>43.1%</u>      |
| Debt limit ratio   | 6.9%              | 7.5%              | 6.9%              | 7.1%              | 7.6%              | 7.1%              | 7.5%              | 8.1%              | 7.8%              | 7.3%              |

## Note:

Under the District of Columbia Self-Government and Governmental Reorganization Act, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long-term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues. The District issued more income tax revenue bonds to refund general obligation debt because the income tax revenue bonds have a higher rating, which resulted in a lower interest cost.

## Operating Indicators by Function/Program

## Exhibit S-5A

Last Ten Fiscal Years

(Continued)

| Function/Program   | Operating Indicators |           |           |           |           |           |           |           |           |           |
|--|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2007                 | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      |
| <b>PUBLIC EDUCATION SYSTEM</b>   |                      |           |           |           |           |           |           |           |           |           |
| <b>D.C. Public School System</b>   |                      |           |           |           |           |           |           |           |           |           |
| Number of School Teachers  | 4,509                | 4,328     | 3,722     | 3,758     | 3,850     | 3,775     | 3,392     | 3,585     | 3,684     | 3,999     |
| Number of School Students  | 52,945               | 46,208    | 46,132    | 45,772    | 48,737    | 45,191    | 45,557    | 46,393    | 47,548    | 48,757    |
| Number of High School Graduates  | 2,489                | 2,555     | 2,679     | 2,790     | 2,954     | 2,919     | 2,864     | 2,702     | 2,784     | 2,764     |
| <b>University of the District of Columbia</b>  |                      |           |           |           |           |           |           |           |           |           |
| Number of Teachers   | 242                  | 247       | 241       | 231       | 222       | 260       | 250       | 223       | 230       | 237       |
| Number of Students   | 5,612                | 5,595     | 5,260     | 5,855     | 5,286     | 5,490     | 5,352     | 5,118     | 5,118     | 4,585     |
| Number of Graduates  | 475                  | 218       | 711       | 602       | 641       | 705       | 832       | 866       | 795       | 735       |
| <b>PUBLIC WORKS/PUBLIC TRANSPORTATION</b>  |                      |           |           |           |           |           |           |           |           |           |
| Street Resurfaced (includes reconstruction); Regular Cover; Pavement Restoration (miles) | 52.30                | 32.10     | 18.00     | 13.00     | 14.00     | 17.00     | 19.30     | 27.20     | 42.00     | 50.70     |
| Potholes Repaired  | 6,262                | 2,800     | 2,400     | 5,580     | 6,863     | 26,233    | 24,718    | 65,332    | 72,719    | 75,417    |
| Refuse Collected (tons per day)  | 406                  | 404       | 378       | 390       | 393       | 382       | 361       | 354       | 340       | 386       |
| Recyclables Collected (tons per day)   | 95                   | 98        | 105       | 110       | 107       | 133       | 145       | 130       | 116       | 96        |
| Tons of Bulk Trash Removed   | 4,831                | 4,025     | 4,136     | 3,611     | 3,536     | 2,944     | 2,594     | 2,558     | 2,597     | 3,612     |
| Tons of Leaves Removed   | 7,834                | 10,072    | 8,289     | 8,050     | 6,914     | 5,659     | 5,920     | 6,054     | 5,798     | 7,221     |
| Tons of Snow Removed   | 661,050              | 674,225   | 808,732   | 5,298,905 | 850,000   | 105,487   | 218,005   | 2,250,383 | 1,265,841 | 1,962,054 |
| <b>Department of Motor Vehicles</b>  |                      |           |           |           |           |           |           |           |           |           |
| Number of Motor Vehicle Registrations (1/1 - 12/31)                                      | 271,243              | 269,549   | 259,367   | 276,585   | 278,915   | 284,674   | 289,028   | 296,210   | 303,039   | 309,332   |
| Number of Operator Licenses Issued (1/1 - 12/31)   | 117,902              | 112,072   | 110,846   | 109,630   | 111,354   | 120,372   | 119,303   | 81,656    | 80,459    | 125,901   |
| Number of Operator Licenses Outstanding (1/1 - 12/31)                                    | 396,193              | 342,816   | 340,316   | 348,036   | 357,228   | 370,805   | 411,356   | 416,289   | 448,304   | 466,293   |
| <b>CONVENTION CENTER</b>   |                      |           |           |           |           |           |           |           |           |           |
| Conferences Held   | 151                  | 183       | 204       | 214       | 231       | 201       | 209       | 204       | 233       | 217       |
| Attendees  | 1,028,953            | 1,091,406 | 1,053,266 | 1,015,324 | 1,017,638 | 1,159,480 | 1,089,116 | 1,280,256 | 1,120,398 | 1,465,820 |



## Limitation On Borrowing

(dollars in thousands)

|  |                     |
|--|---------------------|
| General Fund Expenditures <sup>1</sup> :   | \$ 7,691,571        |
| General Fund Transfers out <sup>1</sup> :  | 259,616             |
| Adjustment for Transfer to Component Agency (UDC) <sup>1</sup> :                     | 43,754              |
| Adjustment for TIFs and PILOTs Bonds and Notes Debt Service Transfers <sup>1</sup> : | 39,632              |
| Adjustment for Ballpark Revenue Bond Debt Service Transfers <sup>1</sup> :           | 120,343             |
| Adjustment for Convention Center Hotel Debt Service Transfers <sup>1</sup> :         | 14,762              |
| <b>Total:</b>  | <b>\$ 8,169,678</b> |
| Limitation on borrowing (12%):   | \$ 980,361          |
| FY 2016 debt service cost:   | 843,998             |
| <b>Margin on Limitation:</b>   | <b>\$ 136,363</b>   |

FY 2016 Debt service percentage: 10.33%

| Long-Term Debt                                | Debt Service Expenditures by Fiscal Year |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2016                                     |                   |                   | 2017              |                   |                   | 2018              |                   |                   | 2019              |                   |                   |
|   | Principal                                | Interest          | Total             | Principal         | Interest          | Total             | Principal         | Interest          | Total             | Principal         | Interest          | Total             |
| General Obligation Bonds <sup>2</sup>         | \$ 133,280                               | \$ 171,760        | \$ 305,040        | \$ 130,055        | \$ 181,560        | \$ 311,615        | \$ 122,340        | \$ 176,512        | \$ 298,852        | \$ 136,365        | \$ 170,258        | \$ 306,623        |
| Income Tax Secured Revenue Bonds <sup>2</sup> | 88,155                                   | 179,702           | 267,857           | 119,300           | 203,980           | 323,280           | 159,040           | 197,865           | 356,905           | 186,000           | 190,183           | 376,183           |
| TIF Bonds <sup>3</sup>                        | 4,073                                    | 6,839             | 10,912            | 4,136             | 7,222             | 11,358            | 4,180             | 7,594             | 11,774            | 4,284             | 7,576             | 11,860            |
| TIF Notes <sup>4, 5</sup>                     | 5,486                                    | 3,893             | 9,379             | 1,724             | 3,732             | 5,456             | 1,621             | 3,712             | 5,333             | 1,639             | 3,704             | 5,343             |
| QZAB  | 946                                      | -                 | 946               | 690               | -                 | 690               | 690               | -                 | 690               | 454               | -                 | 454               |
| Capital Leases                                | 3,268                                    | 239               | 3,507             | 1,837             | 37                | 1,874             | -                 | -                 | -                 | -                 | -                 | -                 |
| Ballpark Revenue Bonds                        | 96,055                                   | 24,288            | 120,343           | 1,880             | 20,237            | 22,117            | 9,835             | 19,921            | 29,756            | 10,875            | 19,377            | 30,252            |
| Equipment Financing Program                   | 36,946                                   | 1,521             | 38,467            | 26,397            | 1,047             | 27,444            | 18,690            | 564               | 19,254            | 11,614            | 230               | 11,844            |
| HPTF Revenue Bonds                            | 2,600                                    | 5,222             | 7,822             | 2,725             | 5,100             | 7,825             | 2,850             | 4,972             | 7,822             | 2,990             | 4,839             | 7,829             |
| PILOT Bonds <sup>6</sup>                      | 10,049                                   | 7,835             | 17,884            | 10,391            | 9,321             | 19,712            | 11,326            | 12,314            | 23,640            | 11,916            | 12,103            | 24,019            |
| PILOT Notes <sup>7</sup>                      | 879                                      | 578               | 1,457             | 370               | 537               | 907               | 391               | 510               | 901               | 413               | 481               | 894               |
| 225 Virginia Avenue Lease                     | 3,115                                    | 6,159             | 9,274             | 3,333             | 5,941             | 9,274             | 3,565             | 5,709             | 9,274             | 3,813             | 5,461             | 9,274             |
| Washington Convention and Sports Authority    | 18,900                                   | 32,210            | 51,110            | 19,760            | 31,248            | 51,008            | 20,655            | 30,283            | 50,938            | 21,600            | 29,244            | 50,844            |
| <b>Total</b>                                  | <b>\$ 403,752</b>                        | <b>\$ 440,246</b> | <b>\$ 843,998</b> | <b>\$ 322,598</b> | <b>\$ 469,962</b> | <b>\$ 792,560</b> | <b>\$ 355,183</b> | <b>\$ 459,956</b> | <b>\$ 815,139</b> | <b>\$ 391,963</b> | <b>\$ 443,456</b> | <b>\$ 835,419</b> |

The purpose of this exhibit is to comply with debt limitation requirement.

Notes:

- 1) Adjustments are made to General Fund Expenditures and Transfers to reflect Component Agencies and Debt Service Expenditures not already included.
  - 2) Interest on Floating Rate General Obligation and Income Tax Secured Revenue Bonds assumed at 2.50%.
  - 3) TIF Bonds include the Gallery Place, Mandarin Oriental Hotel and the City Market at O Street. The District plans to issue additional bonds which have been approved and included in future years' debt service.
  - 4) TIF Notes include the Clyde's, Forever 21, Georgia Avenue CVS, Howard Theatre, Verizon Center, City Market at O Street Note, and 3 TIF Notes which were paid off in FY 2016 (Fort Lincoln, Madame Tussaud's, and the National Crime & Punishment Museum).
  - 5) Adjustments are made to TIF Notes to reflect principal prepayment and change in presentation of Convention Center Hotel debt.
  - 6) PILOT Bonds include Anacostia Waterfront Corp., the Yards, and the Wharf projects. The debt service schedule for the Yards PILOT Note does not require principal payments until fiscal year 2020. Principal payments shown are actual or anticipated, and at the District's discretion.
  - 7) PILOT Notes include Rhode Island Place and Foundry Lofts projects.
- Source: Office of Finance and Treasury

## **4. DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic data to help explain the environment within which the District's financial activities take place. This information also facilitates comparisons of financial statements over time and among governments.

## Demographic and Economic Statistics

## Exhibit S-4A

## Last Ten Fiscal Years

| Fiscal Year | Population<br>(1) | Personal<br>Income (2)(3) | Per Capita<br>Income (2) | Median<br>Age (1a) | Employment<br>(4) | Unemployment<br>Rate (4) | Claims<br>Accepted (5) | Claims<br>Rejected (5) |
|-------------|-------------------|---------------------------|--------------------------|--------------------|-------------------|--------------------------|------------------------|------------------------|
| 2007        | 586,409           | \$ 36,817,750             | \$ 62,785                | 34.6               | 691,708           | 5.5%                     | 17,111                 | 5,918                  |
| 2008        | 580,074           | 40,359,750                | 69,577                   | 34.3               | 702,725           | 6.0%                     | 20,425                 | 7,123                  |
| 2009        | 599,657           | 40,403,096                | 67,377                   | 34.0               | 701,633           | 9.0%                     | 34,668                 | 13,697                 |
| 2010        | 605,210           | 41,499,722                | 68,571                   | 33.8               | 709,075           | 10.2%                    | 34,481                 | 10,761                 |
| 2011        | 620,427           | 45,272,125                | 72,969                   | 33.7               | 723,233           | 10.2%                    | 40,113                 | 11,578                 |
| 2012        | 635,040           | 46,873,665                | 73,812                   | 33.6               | 730,033           | 9.3%                     | 42,276                 | 14,686                 |
| 2013        | 649,111           | 48,118,236                | 74,129                   | 33.8               | 733,317           | 8.6%                     | 27,665                 | 13,237                 |
| 2014        | 659,836           | 46,015,860                | 69,738                   | 33.8               | 757,500           | 7.8%                     | 28,995                 | 9,921                  |
| 2015        | 670,377           | 48,453,108                | 72,277                   | 33.8               | 764,700           | 6.7%                     | 21,290                 | 13,141                 |
| 2016        | 681,170           | 51,882,666                | 76,167                   | N/A                | 780,400           | 6.1%                     | 19,593                 | 11,344                 |

1) Source: U.S. Census Bureau. Population data is based on estimates as of July 1 each year. Presentation of prior years' data is adjusted for Census updates.

1a) Median age for 2010 and years thereafter are updated each May. Updates made to prior year numbers may not match prior year CAFR figures.

2) Source: D.C. Department of Employment Services, Office of Labor Market Research and Information based on data from U.S. Bureau of Economic Analysis (BEA). BEA uses slightly different population estimates in its calculation of per capita income. Updates are made each year to prior year numbers, which will not match prior year CAFR figures.

3) In thousands

4) Source: D.C. Department of Employment Services, Office of Labor Market Research and Information based on data from U.S. Bureau of Labor Statistics.

5) Source: D.C. Department of Employment Services, Office of Unemployment Compensation:

N/A - Not Available

For some measures in Exhibit S-4A, updates are made each year to prior year numbers. Therefore, prior year numbers may not match the numbers in CAFR tables from previous years.

## Principal Employers

## Exhibit S-4B

## Current Year and Ten Years Ago

| Employer                              | 2016          |      |                          | 2006          |      |                          |
|---------------------------------------|---------------|------|--------------------------|---------------|------|--------------------------|
|                                       | Employees     | Rank | % of Total<br>Employment | Employees     | Rank | % of Total<br>Employment |
| Georgetown University                 | *             | 1    | *                        | *             | 2    | *                        |
| George Washington University          | *             | 2    | *                        | *             | 3    | *                        |
| Children's National Medical Center    | *             | 3    | *                        | *             | 5    | *                        |
| American University                   | *             | 4    | *                        | *             | 8    | *                        |
| Georgetown University Hospital        | *             | 5    | *                        | *             | 7    | *                        |
| Booz Allen & Hamilton, Inc            | *             | 6    | *                        | *             | 90   | *                        |
| Howard University                     | *             | 7    | *                        | *             | 1    | *                        |
| Fannie Mae                            | *             | 8    | *                        | *             | 6    | *                        |
| Catholic University Of America        | *             | 9    | *                        | *             | 13   | *                        |
| Red Coats                             | *             | 10   | *                        | *             | 109  | *                        |
| Allied Barton Security Services       | *             | 11   | *                        | *             | 45   | *                        |
| George Washington University Hospital | *             | 12   | *                        | *             | 7    | *                        |
| Howard University Hospital            | *             | 13   | *                        | *             | 10   | *                        |
| Sibley Memorial Hospital              | *             | 14   | *                        | *             | 14   | *                        |
| Corporate Advisory Board Co           | *             | 15   | *                        | *             | 12   | *                        |
| <b>Total</b>                          | <b>56,453</b> |      | <b>7.1%</b>              | <b>44,207</b> |      | <b>6.5%</b>              |

\* This data is produced through the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, we are only presenting rank and total employment information for the top fifteen principal employers.

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

## **5. OPERATING INFORMATION**

These schedules contain service and infrastructure data to better understand how the information in the District's financial reports relates to the services the District provides and the activities it performs.

## Operating Indicators by Function/Program

## Exhibit S-5A

Last Ten Fiscal Years

| Function/Program                                     | Operating Indicators |             |              |             |            |            |            |              |              |              |
|--|----------------------|-------------|--------------|-------------|------------|------------|------------|--------------|--------------|--------------|
|  | 2007                 | 2008        | 2009         | 2010        | 2011       | 2012       | 2013       | 2014         | 2015         | 2016         |
| <b>GOVERNMENTAL DIRECTION AND SUPPORT</b>            |                      |             |              |             |            |            |            |              |              |              |
| <b>General Obligation Bonds</b>                      |                      |             |              |             |            |            |            |              |              |              |
| Bond Rating by S&P                                   | A+                   | A+          | A+           | A+          | A+         | A+         | AA-        | AA           | AA           | AA           |
| Bond Rating by Moody's                               | A1                   | A1          | A1           | Aa2         | Aa2        | Aa2        | Aa2        | Aa2          | Aa1          | Aa1          |
| Bond Rating by Fitch                                 | A+                   | A+          | A+           | AA-         | AA-        | AA-        | AA-        | AA           | AA           | AA           |
| <b>Income Tax Secured Revenue Bond *</b>             |                      |             |              |             |            |            |            |              |              |              |
| Bond Rating by S&P                                   | -                    | -           | AAA          | AAA         | AAA        | AAA        | AAA        | AAA          | AAA          | AAA          |
| Bond Rating by Moody's                               | -                    | -           | Aa2          | Aa1         | Aa1        | Aa1        | Aa1        | Aa1          | Aa1          | Aa1          |
| Bond Rating by Fitch                                 | -                    | -           | AA           | AA+         | AA+        | AA+        | AA+        | AA+          | AA+          | AA+          |
| *First issued in FY 2009                             |                      |             |              |             |            |            |            |              |              |              |
| <b>ECONOMIC DEVELOPMENT AND REGULATION</b>           |                      |             |              |             |            |            |            |              |              |              |
| Taxable Retail Sales (\$ millions)                   | \$ 9,971             | \$ 11,048   | \$ 10,198    | \$ 11,191   | \$ 11,697  | \$ 12,610  | \$ 13,083  | \$ 13,717    | \$ 14,659    | \$ 15,270    |
| Commercial Construction Units                        | 173                  | 156         | 107          | 138         | 124        | 117        | 96         | 327          | 97           | 125          |
| Commercial Construction Value                        | \$1,300,454          | \$1,938,197 | \$ 2,321,216 | \$1,518,394 | \$ 941,963 | \$ 649,872 | \$ 954,718 | \$ 2,542,032 | \$ 1,902,211 | \$ 1,701,364 |
| Residential Construction Units                       | 664                  | 1,237       | 1,003        | 850         | 899        | 855        | 1,199      | 1,369        | 1,121        | 1,304        |
| Residential Construction Value                       | \$ 182,298           | \$ 276,722  | \$ 269,812   | \$ 214,187  | \$ 235,996 | \$ 261,314 | \$ 382,192 | \$ 425,194   | \$ 391,467   | \$ 433,979   |
| <b>Housing Finance Agency</b>                        |                      |             |              |             |            |            |            |              |              |              |
| Number of Single-Family Units Financed               | 273                  | 218         | 109          | 15          | 53         | 16         | 2          | 192          | 236          | 205          |
| Amount of Single-Family Financing Provided (\$ 000s) | \$ 59,070            | \$ 43,795   | \$ 24,750    | \$ 2,704    | \$ 9,897   | \$ 3,604   | \$ 619     | \$ 53,068    | \$ 65,183    | \$ 62,902    |
| Number of Multi-Family Units Financed                | 1,198                | 917         | 297          | 1,307       | 729        | 1,608      | 939        | 1,008        | 1,325        | 2,090        |
| Amount of Multi-Family Financing Provided (\$ 000s)  | \$ 118,978           | \$ 91,014   | \$ 28,255    | \$ 137,000  | \$ 78,512  | \$ 183,002 | \$ 139,347 | \$ 194,600   | \$ 171,401   | \$ 294,735   |
| Total Number of Housing Units Financed               | 1,471                | 1,135       | 406          | 1,322       | 782        | 1,624      | 941        | 1,200        | 1,561        | 2,295        |
| Total Amount of Housing Financing Provided (\$ 000s) | \$ 178,048           | \$ 134,809  | \$ 53,005    | \$ 139,704  | \$ 88,409  | \$ 186,606 | \$ 139,966 | \$ 247,668   | \$ 236,584   | \$ 357,637   |
| <b>PUBLIC SAFETY AND JUSTICE</b>                     |                      |             |              |             |            |            |            |              |              |              |
| <b>Police</b>  |                      |             |              |             |            |            |            |              |              |              |
| Crime Index Offenses                                 | 33,043               | 35,351      | 34,977       | 30,872      | 31,772     | 36,154     | 35,752     | 37,662       | 37,471       | 35,714       |
| Number of Police Officers                            | 3,907                | 4,050       | 4,047        | 3,960       | 3,801      | 3,907      | 4,010      | 3,971        | 3,839        | 3,737        |
| <b>Fire &amp; EMS</b>                                |                      |             |              |             |            |            |            |              |              |              |
| Number of Operational Personnel                      | 1,818                | 1,958       | 1,958        | 1,946       | 1,941      | 1,874      | 1,998      | 1,877        | 1,864        | 1,875        |
| Total Number of Incidents                            | 153,788              | 158,919     | 165,725      | 162,440     | 161,795    | 167,939    | 167,335    | 179,319      | 197,092      | 205,988      |
| Total Number of Fire/Rescue Incidents                | 32,363               | 32,396      | 30,728       | 31,562      | 31,527     | 30,296     | 29,823     | 32,313       | 34,924       | 34,840       |
| Number of Medical Incidents                          | 121,415              | 126,523     | 134,997      | 130,878     | 130,268    | 137,643    | 137,512    | 147,006      | 162,168      | 171,148      |
| Total Number of Transports                           | 76,841               | 81,981      | 86,824       | 94,039      | 97,689     | 101,208    | 102,987    | 109,044      | 115,262      | 92,695       |
| Inspections  | 19,282               | 13,175      | 22,716       | 24,862      | 14,231     | 11,470     | 12,482     | 13,159       | 10,148       | 11,814       |
| <b>PUBLIC LIBRARY</b>                                |                      |             |              |             |            |            |            |              |              |              |
| Number of Volumes                                    | 3,037,696            | 2,897,099   | 2,525,848    | 2,242,514   | 1,601,581  | 1,466,010  | 1,491,914  | 1,536,820    | 1,376,418    | 1,304,305    |

## Capital Asset Statistics by Function/Program

Exhibit S-5B

Last Ten Fiscal Years

| Function/Program                          | Fiscal Years |         |         |         |         |         |         |         |         |         |
|---|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | 2007         | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    |
| <b>Police</b>                             |              |         |         |         |         |         |         |         |         |         |
| Police Stations Including Satellites      | 16           | 17      | 11      | 11      | 11      | 11      | 11      | 11      | 11      | 11      |
| Number of Patrol Cars                     | 1,222        | 1,242   | 1,200   | 1,183   | 1,195   | 1,196   | 1,197   | 1,224   | 1,259   | 1,240   |
| <b>Fire</b>                               |              |         |         |         |         |         |         |         |         |         |
| Number of Fire and EMS stations           | 34           | 34      | 34      | 34      | 34      | 34      | 34      | 34      | 34      | 34      |
| Number of Front-line Emergency Vehicles   | 130          | 111     | 126     | 126     | 123     | 123     | 123     | 124     | 94      | 114     |
| <b>EMS</b>                                |              |         |         |         |         |         |         |         |         |         |
| Number of Ambulances                      | 78           | 79      | 77      | 78      | 89      | 73      | 110     | 98      | 86      | 88      |
| <b>D.C. Public School System</b>          |              |         |         |         |         |         |         |         |         |         |
| Number of Schools                         | 144          | 144     | 131     | 122     | 123     | 122     | 122     | 112     | 112     | 115     |
| Number of School Buses                    | 727          | 727     | 790     | 753     | 802     | 838     | 880     | 799     | 601     | 626     |
| <b>Public Library</b>                     |              |         |         |         |         |         |         |         |         |         |
| Number of Main and Branch Buildings       | 22           | 22      | 24      | 25      | 25      | 26      | 26      | 26      | 26      | 26      |
| Number of Community and Kiosk Facilities  | 5            | 5       | 0       | -       | -       | -       | -       | -       | -       | -       |
| <b>Parks and Recreation</b>               |              |         |         |         |         |         |         |         |         |         |
| Acreage                                   | 836          | 836     | 836     | 836     | 883     | 883     | 931     | 931     | 931     | 931     |
| Number of Recreation & Community Centers  | 73           | 75      | 75      | 79      | 78      | 78      | 74      | 73      | 73      | 74      |
| Number of Day Camps                       | 86           | 71      | 68      | 76      | 91      | 88      | 96      | 96      | 82      | 84      |
| Number of Outdoor Swimming Pools          | 26           | 24      | 24      | 23      | 23      | 24      | 22      | 22      | 22      | 23      |
| Number of Indoor Swimming Pools           | 8            | 7       | 7       | 10      | 8       | 8       | 8       | 11      | 11      | 15      |
| <b>Public Works/Public Transportation</b> |              |         |         |         |         |         |         |         |         |         |
| Number of Refuse Collection Trucks        | 77           | 77      | 84      | 71      | 70      | 64      | 64      | 69      | 68      | 74      |
| Primary Street Miles                      | 126          | 126     | 126     | 126     | 126     | 126     | 135     | 134     | 134     | 134     |
| Secondary Street Miles                    | 1,007        | 1,007   | 1,007   | 1,007   | 1,007   | 1,007   | 1,007   | 1,009   | 1,117   | 1,117   |
| Number of Street Lights                   | 68,000       | 68,000  | 68,000  | 68,000  | 68,000  | 69,350  | 70,182  | 70,828  | 70,809  | 69,708  |
| Number of Signalized Intersections        | 1,570        | 1,575   | 1,600   | 1,700   | 1,603   | 1,603   | 1,645   | 1,652   | 1,524   | 1,403   |
| Number of Trees                           | 128,540      | 144,000 | 145,312 | 146,920 | 144,000 | 148,980 | 147,276 | 147,376 | 153,990 | 150,288 |
| <b>D.C. Water &amp; Sewer Authority</b>   |              |         |         |         |         |         |         |         |         |         |
| Miles of Water Mains                      | 1,300        | 1,300   | 1,300   | 1,300   | 1,300   | 1,300   | 1,300   | 1,300   | 1,300   | 1,300   |
| Miles of Sewer Mains                      | 1,800        | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   |



## Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds

Exhibit S-5C

Last Ten Fiscal Years

| Function                            | Full-time Equivalent District Government Employees |               |               |               |               |               |               |               |               |               |
|-------------------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                     | 2007   | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          |
| Governmental direction and support  | 2,613  | 2,725         | 2,726         | 2,440         | 2,648         | 2,994         | 3,014         | 3,069         | 3,178         | 3,191         |
| Economic development and regulation | 1,157  | 1,220         | 1,230         | 1,128         | 1,040         | 1,041         | 1,181         | 1,282         | 1,305         | 1,363         |
| Public safety and justice           | 8,234  | 8,720         | 8,728         | 8,586         | 8,505         | 8,313         | 8,230         | 8,192         | 8,247         | 8,308         |
| Public education system             | 9,367  | 8,618         | 8,323         | 7,651         | 9,253         | 9,028         | 8,959         | 8,701         | 9,558         | 9,499         |
| Human support services              | 4,571  | 4,816         | 4,559         | 3,946         | 3,782         | 3,687         | 3,822         | 3,992         | 4,141         | 4,208         |
| Public works                        | 1,889  | 2,073         | 2,197         | 2,106         | 2,007         | 2,146         | 2,196         | 2,324         | 2,397         | 2,414         |
| <b>Total</b>                        | <b>27,831</b>                                      | <b>28,172</b> | <b>27,763</b> | <b>25,857</b> | <b>27,235</b> | <b>27,209</b> | <b>27,402</b> | <b>27,560</b> | <b>28,826</b> | <b>28,983</b> |

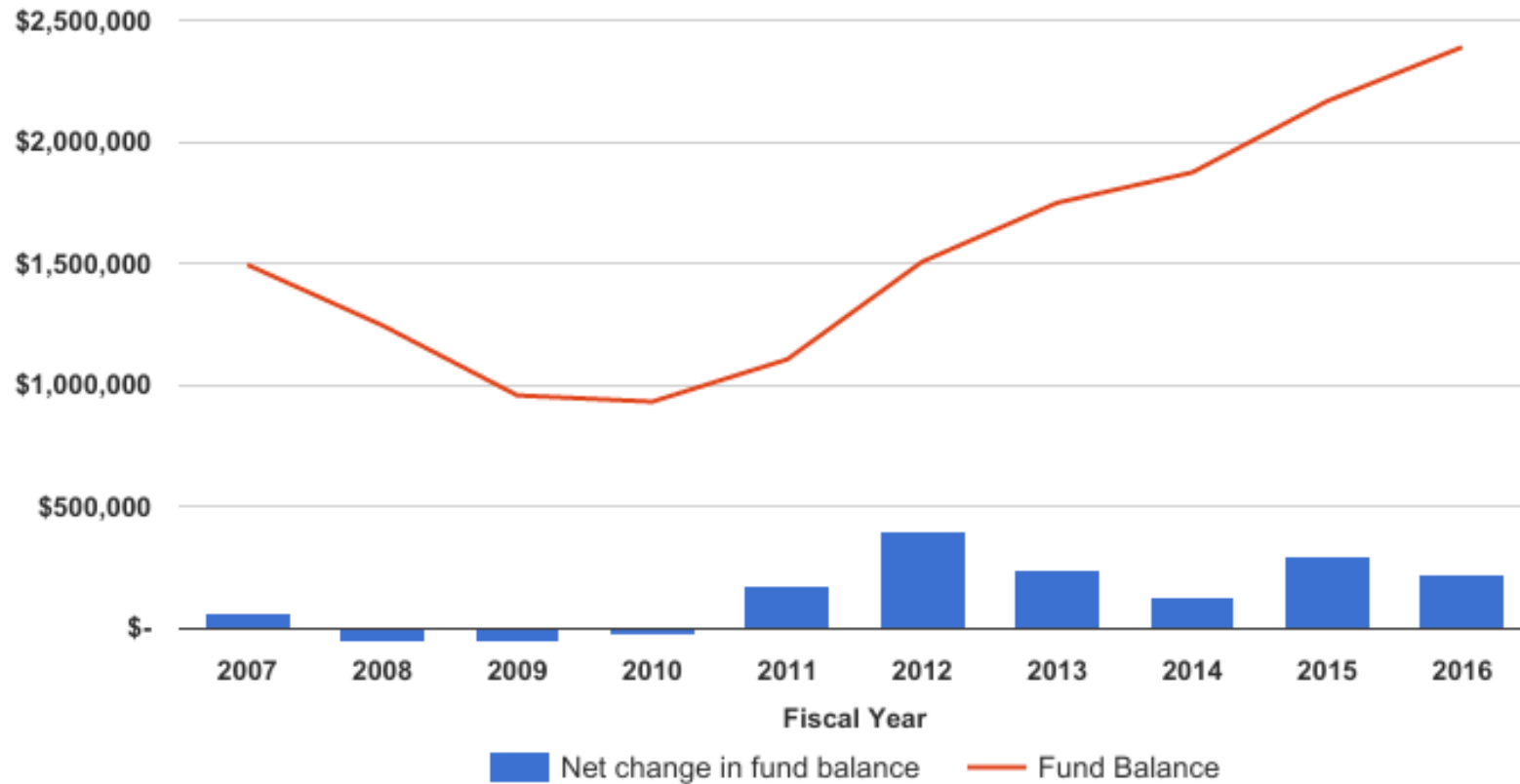
Source: Office of Budget and Planning

# General Fund - Fund Balance Trend Chart

Exhibit S-5D

Last Ten Fiscal Years

(dollars in thousands)





**GOVERNMENT OF THE  
DISTRICT OF COLUMBIA**

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YEAR ENDED SEPTEMBER 30, 2016