

**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, 2017**



# CAFR

## 2017

COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT



MURIEL BOWSER  
MAYOR

January 25, 2018

Dear Residents of the District of Columbia:

I am pleased to present the District of Columbia's (District's) Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR). For the twenty-first consecutive year, the audit opinion is unqualified (unmodified). For the third year in a row, the auditor found no significant deficiencies or material weaknesses, which demonstrates our continued financial discipline and sound financial management practices. The District's finances continue to be among 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 remains a great place to live, work, and visit, and 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 all eight wards 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, 2018

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

Dear Mayor Bowser:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2017. The FY 2017 financial statements contained herein have been examined by SB & Company, LLC, a team of independent public accountants. Based on the results of the audit procedures performed, SB & Company, LLC, issued an unmodified (clean) opinion on the District's FY 2017 financial statements. This is the 21<sup>st</sup> consecutive year in which the District has received such an opinion on its financial statements. An unmodified opinion indicates that no material misstatements were found in the financial statements as a result of the audit. Such an opinion should provide assurance to District residents, government officials, and other stakeholders that the financial information presented is accurate, reliable, and in compliance with required standards.

As the information in the FY 2017 CAFR indicates, the District's financial and economic standing continued to be strong during 2017. The District's population continued to grow, reaching 693,972 as of July 2017 and the job market continued to improve. There were 5,500 new jobs created during the fiscal year, with an unemployment rate slightly above 6.00%.

The city's reserves remain strong. As of September 30, 2017, the District's liquidity funds (federally and locally mandated reserves) totaled \$ 1.192 billion. Having reserves at this level means that the District has 54 days of operating cash reserved and at its disposal for use. As a result, the city once again did not need to issue Tax Revenue Anticipation Notes (TRANs) to meet its operating cash needs. These reserves provide assurance that District operations could continue in the event of unforeseen emergency or crisis.

The city's bond ratings also remained strong in FY 2017. The FY 2017 bond ratings were as follows: *General Obligation (GO) Bonds*: Fitch Ratings, AA; Moody's Investors Service, Aa1; and S & P Global Ratings, AA and *Income Tax Secured (ITS) Revenue Bonds*: Fitch Ratings, AA+; Moody's Investors Service, Aa1; and S & P Global Ratings, AAA. Having received such high ratings from the credit rating agencies, the District was able to access the markets and issue bonds at very low interest rates. During FY 2017, the District issued \$1.568 billion in general obligation bonds and general obligation refunding bonds, the proceeds of which were used to finance economic development initiatives, infrastructure improvements, other capital projects, and reduce debt service costs.

As we look to the future, we must continue to use sound and proven accounting, financial management, and reporting practices. The OCFO is committed to preserving and enhancing the District's ability to access quality credit markets, achieve balanced budgets and unmodified audit opinions each year.

Sustained financial success requires the collaboration of many. As the District's Chief Financial Officer, I would like to acknowledge the efforts of the city's elected officials and their staffs. Without their leadership, dedication and commitment, the District could not have achieved its current financial success. I am also extremely grateful to the financial staff working in the agencies and the central offices of the OCFO as well as others who have supported our efforts to successfully manage and account for the District's financial resources during the past year. Working together, the District operated within established budgetary constraints during FY 2017 and issued its FY 2017 CAFR on time with an unmodified (clean) audit opinion. Congratulations to all on this significant achievement.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeffrey S. DeWitt", written in a cursive style.

Jeffrey S. DeWitt  
Chief Financial Officer

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2017**

**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, 2017**

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# CAFR



INTRODUCTORY SECTION

## 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, 2017**

# 2017

COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

# 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  
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January 25, 2018

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, 2017, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. 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 ongoing 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, 2017. 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, issued a report (commonly referred to as the Yellow Book Report) in conjunction with the CAFR. This report discussed the independent public accountants' consideration of the District's internal control over financial reporting and the outcome of the auditors' tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other related requirements.

Moreover, an audit of compliance with the United States Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 2017 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. (hereinafter 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>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 of the District of Columbia (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 with no action taken by Congress.

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 a bill to eliminate the requirement that residents at Federal Bureau of Prisons (BOP) halfway houses (Residential Reentry Centers) pay a subsistence fee of 25 percent of their gross income to offset the cost of being housed. This bill is particularly important for the District of Columbia because D.C. Code felons are the only local felons housed by BOP and are subject to the fee when in halfway houses. BOP has the ability to waive or reduce the fee; however, this bill would eliminate the fee altogether. A November 2016 Department of Justice memorandum recommending reforms for federal halfway houses suggested developing a plan to "limit the use of counterproductive 'subsistence' fees imposed on indigent residents." The memorandum stated, "The Bureau's process for collecting these subsistence fees is costly and administratively burdensome for both [Residential Reentry Centers] and the Bureau, and these fees make it difficult for residents, who typically earn minimum wage, to meet their other financial obligations, including restitution, fines, and child support." BOP used to impose the fee on people on home confinement, but changed the policy in August 2016.

Congresswoman Norton has indicated that eliminating costly subsistence fees is a simple way to help returning citizens living at halfway houses save money, pay their way and their obligations,

and make the transition back to society. This change is a critical reform that could help relieve repeated offenses and is a particularly important measure for D.C. residents, the only local inmates housed at BOP halfway houses.

- Introduced the District of Columbia Federal Officials Residency Requirement Equality Act, a bill that would amend federal law to require certain federal officials who serve the District of Columbia to live within its boundaries. Across the United States, federal district court judges, U.S. Attorneys, and U.S. Marshals are required by federal law to reside in the jurisdictions where they have been appointed to serve. However, officials appointed to serve the residents of the District are not bound by these same requirements. The District was exempted from this requirement based on the now-outdated notion that the District is too congested and small to house these appointed officials. Congresswoman Norton emphasized that the District deserves the same type of community involvement and direct engagement by its federal officials. This bill will ensure that federal officials live among the residents which they have been appointed to represent.
- Introduced a bill to extend the District of Columbia's lease with the National Park Service to use the land under Robert F. Kennedy (RFK) Memorial Stadium by 50 years, for a total period of 100 years. The lease extension will provide the long-term stability required to get financing and redevelop the RFK site to include more green space for public use, sports fields, pedestrian bridges; and to connect the area to Wards 7 and 8, and establish a memorial more fitting to the legacy of Robert F. Kennedy.

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) four discretely presented component units: Health Benefit Exchange Authority, Housing Finance Agency, University of the District of Columbia, and Washington Convention and Sports Authority (t/a Events DC) and; (3) two blended component units: the Tobacco Settlement Financing Corporation and Not-for-Profit Hospital Corporation (d/b/a United Medical Center). 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 and a multi-year capital improvements plan by project for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the operating budget and capital improvements plan 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.

### Budgetary Controls

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 subsequently challenged in the U.S. District Court for the District of Columbia (District Court), which concluded that this Act was unlawful and therefore, prohibited its enforcement. Upon appeal, the U.S. Court of Appeals for the District of Columbia legally

voided the decision of the District Court and sent the case to the District of Columbia Superior Court, where the legality of the Local Budget Autonomy Amendment Act was ratified.

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the adopted budget. 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 adopted budget. 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 agency heads and Agency Fiscal Officers to jointly submit a monthly spending plan for the fiscal year to the District's Chief Financial Officer (CFO) by October 1st of each fiscal year. Other reporting requirements have also been established to enhance the District's budgetary control policies and practices. District managers 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 CFO no later than 30 days after the end of each month. 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 Funds or the Special Revenue Funds.

## **Fund Balance Reserves:**

### **Congressionally Mandated**

Through Congressional mandate established by Section 450A of the Home Rule Act (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 CFO to cover cash flow needs, provided that the reserve account shall be replenished in the same fiscal year that amounts were used. 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, it 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, 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 Other Post Employment Benefits (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** – Differences that arise when the basis of budgeting differs from the basis of accounting prescribed by GAAP. 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** – Differences between the basis of budgeting and GAAP arising because: (1) the appropriated budget includes organizations, programs, activities, or functions that are not within the financial reporting entity as defined by GAAP or (2) the appropriated budget excludes organizations, programs, activities or functions that are part of the financial reporting entity. The District does not have any significant entity differences that limit its ability to present budgetary comparisons of its general fund.

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

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

The Office of the Chief Financial Officer (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, and Unclaimed Property Division. 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 2017, employment within the District continued to increase with almost all of the net additional jobs being in the private sector. 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 2012 and 2017), the District’s population has grown by almost 58,000, an increase that has averaged about 970 residents per month over that period of time. The District’s private sector has grown along with sustained growth in the national economy.

Federal civilian employment accounts for 24.90% of all wage and salary jobs located in the District and 31.30% of the amount of wages and salaries that are generated in the city. Approximately 13.00% 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 fiscal year 2017, 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 fiscal year 2018 and continue through fiscal year 2023, unless Congress once again lifts these limits. Spending policies related to reducing federal debt remains an unresolved issue.

#### 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 2017, there were 13,133 (1.70%) more wage and salary jobs located in the District than a year earlier. Of particular note, there were 900 (0.50%) fewer federal government jobs in September than there were a year earlier, while the private sector jobs increased by 13,500 (2.50%).
- District resident employment in the three months ended September 2017 was 5,036 (1.40%) more than a year earlier.
- The September unemployment rate was 6.50% (seasonally adjusted), an increase from 5.90% a year ago.

- Wages earned in the District of Columbia grew 2.10% in the quarter ended September 30, 2017, compared to the same quarter a year ago. Personal income in the District was 2.20% higher on September 30, 2017, compared to the same time one year ago.
- Single family sales for the three-month period ended September 2017 were up 2.50% from a year ago; however, the average selling price was down by 0.10%. Condominium sales were up 0.80%, while the average price was 2.20% lower. The value of all home sale settled contracts for the three-month period ended September 2017 was 1.00% more than a year ago.
- Commercial office effective rents edged up over the past year. Leased space in September 2017 was down 0.40% from a year ago, while the vacancy rate (including sublets) fell over the past year from 11.60% to 11.30%.
- Hotel room-days sold for the three months ended September 2017 were up 3.10% from the prior year, and hotel room revenues were up by 2.00%.

#### **Key Factors in the District's Economy**

##### Population

The U.S. Census Bureau estimated that there were 693,972 residents in the District of Columbia, as of July 1, 2017. This represents an increase of 9,636 or 1.41%, from the revised July 1, 2016 estimate of 684,336. 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. On an annual basis, the U.S. Census Bureau releases revised population estimates. **Chart T1** presents the District's population trends for calendar years 2013 through 2017, using annually revised census data.

Income Trends

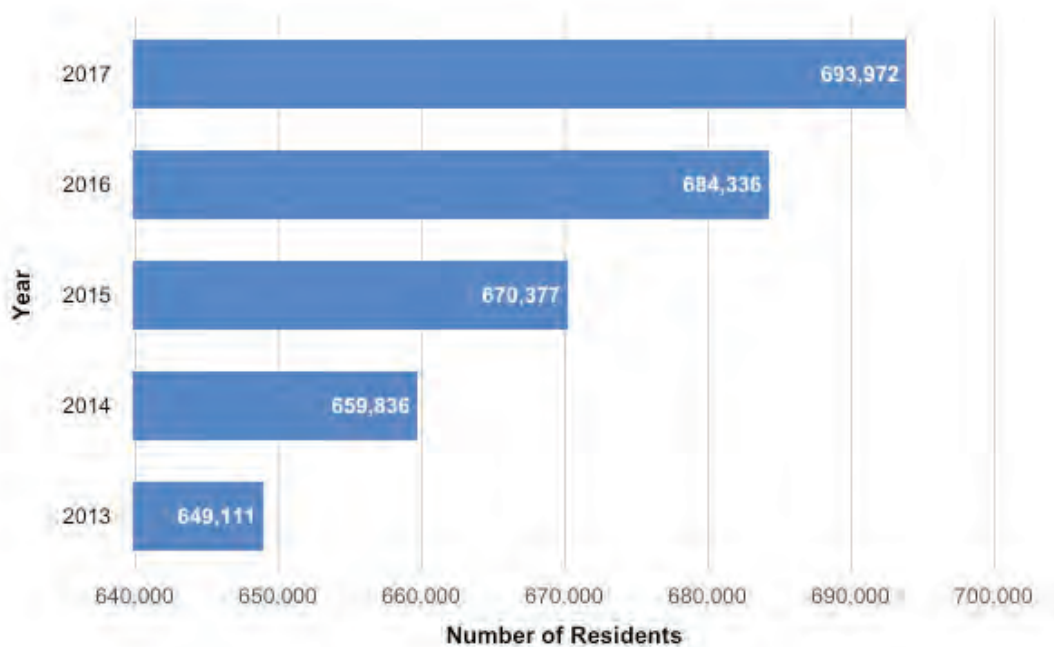
Income has grown considerably in the District in recent years. From the third quarter of calendar year 2012 to the third quarter of 2017, personal income grew approximately 23.30% in the District as compared to 16.30% nationally.

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 2017; however, for 2016, the District's median household income of \$75,506 was 31.00% above the U.S. average. The Census Bureau estimates that 18.60% of the District's population was below the poverty line in 2016 as compared to 14.00% for all of the U.S.

**Chart T1 – Population Trends (2013 - 2017)**

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



Source: U.S. Census Bureau

Employment Trends

Total wage and salary employment in the Washington metropolitan area increased to approximately 3,286,000 at the end of fiscal year 2017 from the revised 3,241,500 for fiscal year 2016, representing a 1.37% 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 2016 employment numbers may differ from those presented in the fiscal year 2016 CAFR because of updates and revisions. **Table T2** presents 2017 labor market data for the District and the surrounding metropolitan region.

In September 2017, total wage and salary employment within the District was 24.03% of the metropolitan area's total wage and salary employment. The seasonally adjusted September 2017 unemployment

rate in the District was 6.50%, compared to the September 2016 revised seasonally adjusted rate of 5.90%.

Total employment within the District increased to 789,500 as of September 2017 from the revised 784,000 as of September 2016. 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 2017 federal workforce in the Washington metropolitan area was 365,100; with approximately 197,400 federal employees located in Washington, D.C. and 167,700 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. Therefore, effective July 24, 2009, the District's minimum wage rate increased to \$8.25 per hour and remained at that level for several years.

In December 2013, the Council approved a measure to raise the District's minimum wage 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.

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.

Consequently, effective July 1, 2017, the District's minimum wage rate increased to \$12.50 per hour.

#### 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, 2017, the District living wage rate is \$13.95 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 - 2017 Labor Market Data for the District and Surrounding Metropolitan Area**

#### **Labor Market (000s): FY 2017**

Item	District of Columbia			Metropolitan Area		
	Level	1 yr. change (number)	1 yr. change (%)	Level	1 yr. change (number)	1 yr. change (%)
Employed residents	371.1	4.2	1.2	3,280.6	94.0	2.9
Labor force	399.1	8.2	2.1	3,402.9	86.1	2.6
Total wage and salary employment	789.5	5.5	0.7	3,286.0	44.5	1.4
Federal government	197.4	(1.1)	(0.6)	365.1	(1.6)	(4.0)
Local government	40.5	1.0	2.5	334.1	3.9	1.2
Leisure and hospitality	80.6	4.3	5.6	333.2	9.5	2.9
Trade	27.4	(0.3)	(1.1)	341.3	2.6	0.8
Education and health	136.6	0.1	0.1	444.1	6.1	1.4
Professional, business, and other services	239.5	2.0	0.8	953.5	19.2	2.1
Other private	67.5	(0.5)	(0.7)	514.7	4.8	0.9
Unemployed	28.1	4.0	16.5	122.3	(7.9)	(6.1)
New unemployment claims	1.3	0.1	5.1	(a)	(a)	(a)

Sources: U.S. Bureau of Labor Statistics (BLS) & D.C. Department 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

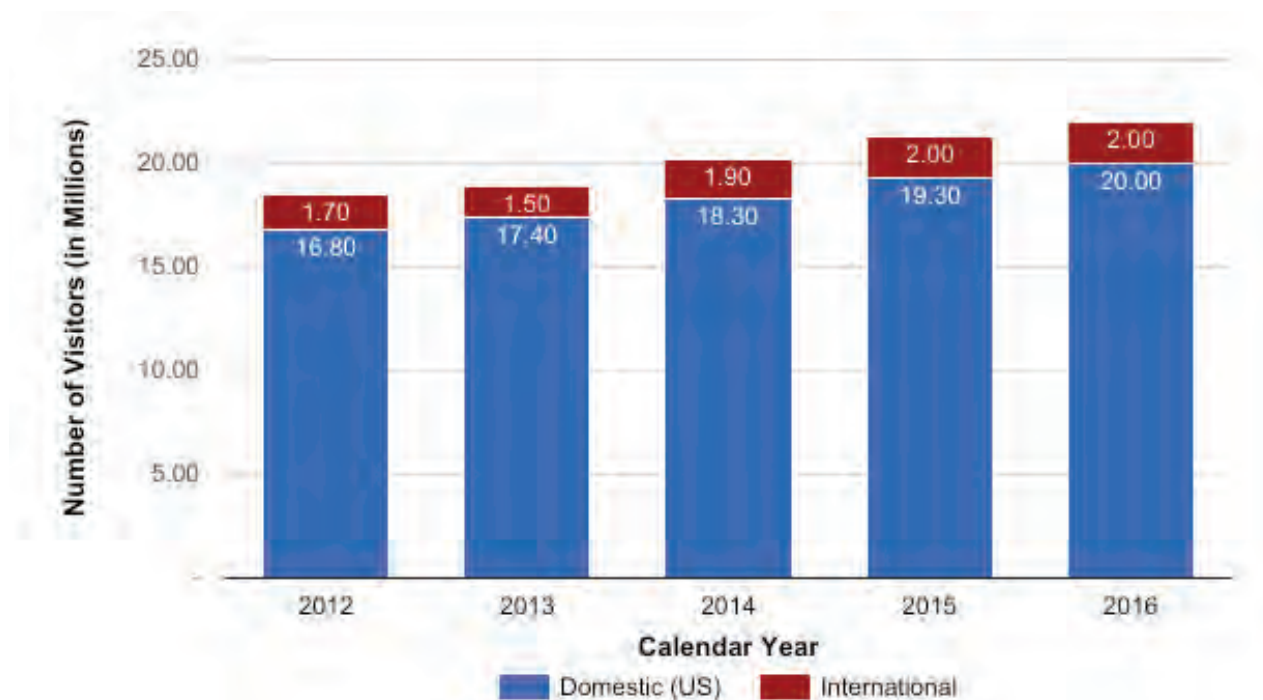
Millions of U.S. citizens and international tourists visit the District's more than 400 museums and other historical landmarks each year. Popular attractions include sites along the National Mall, numerous monuments to U.S. presidents, war memorials, and other museums. The presence of a large number of foreign embassies, recognized diplomatic missions, and other international organizations in the District helps to boost tourism. In calendar year 2016, approximately 20 million domestic visitors and 2 million international visitors traveled to the District. During calendar year 2016, 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 2012 through 2016. Tourism data for

calendar year 2017 is not yet available.

Visitor spending, which totaled approximately \$7.32 billion in 2016, 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 2016 (by category) was as follows: \$2.51 billion for Lodging; \$2.10 billion for Food and Beverage; \$1.21 billion for Entertainment; \$891 million for Shopping/Retail; and \$604 million for Transportation. Total visitor spending increased by \$219 million, or 3.09%, over the prior year. Hotel occupancy was approximately 81.80% as of September 30, 2017. Travel and tourism supported 74,654 jobs in the District, generating approximately \$4.01 billion in wages.

Chart T2 – Trends in District Tourism (2012 – 2016)

## Total Visitation to the District



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

Construction – Commercial Real Estate

Construction of commercial real estate surged during calendar year 2017. As of September 30, 2017, commercial space under construction in the District totaled 6.47 million square feet as compared to 5.87 million square feet at the end of September 2016. Over the one-year period between 2016 and 2017, occupied Class A commercial office space increased from 78.19 million square feet to 80.00 million square feet and the vacancy rate within the District remained steady at 12.70% in September 2017 as in September 2016.

Construction – Housing Units

For the 12-month period ended September 30, 2017, 4,026 housing unit building permits were issued. This represents a 21.50% decrease over the prior 12-month period. **Table T3** presents the number of apartment units located in the District in 2013 through 2017.

In calendar year 2017, there were 184,404 apartment units in the District, of which 174,917, or 94.86%, were occupied. In September 2017, 13,022 apartment units were under construction.

Table T3 – District Apartment Units (2013 - 2017)

	2013	2014	2015	2016	2017
Inventory	167,181	171,919	175,066	179,664	184,404
Occupied units	157,804	162,269	166,849	170,185	174,917

Source: CoStar - prior years' data have been revised and include units in private buildings with 5 or more units

Housing Production Trust Fund

The Department of Housing and Community Development (DHCD) administers the Housing Production Trust Fund (HPTF), a special revenue fund which was established in 1988 to produce and preserve affordable housing in the District by providing various forms of assistance in support of housing production for targeted populations.

In fiscal year 2017, DHCD used HPTF funding to finance 32 projects that produced or preserved 1,907 housing units in the District. The total amount of HPTF funding expended in fiscal year 2017 was approximately \$124.5 million. The projects financed included seven new construction projects, eight substantial rehabilitation projects, 13 Tenant Opportunity to Purchase Act (TOPA) Acquisition and Critical Repairs, one acquisition, two loan modifications and one refinancing.

At the end of fiscal year 2017, projects approved for implementation by DHCD included 24 housing projects which are supported by the HPTF and will produce or preserve 1,546 housing units, when completed. The total amount of HPTF funding to be expended for these projects is approximately \$170 million. The 24 projects include eight new construction projects, 12 substantial rehabilitation projects, three Tenant Opportunity to Purchase Act (TOPA) Acquisition and Critical Repairs, and one acquisition.

**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				
	2013	2014	2015	2016	2017
Fitch Ratings	AA-	AA	AA	AA	AA
Moody's Investors Service	Aa2	Aa2	Aa1	Aa1	Aa1
Standard & Poor's Rating Service	AA-	AA	AA	AA	AA
	Income Tax Secured Revenue Bonds				
	2013	2014	2015	2016	2017
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



## 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 (in \$000s)	Delivery Date (Calendar Year Basis)
<b>Retail:</b>				
ART Place at Fort Totten (Phase I)	5180 South Dakota Avenue, N.E.	104,701	\$135,000	3rd Qtr 2017
Uline Arena	1140 3rd Street, N.E.	73,057	\$125,000	4th Qtr 2016
Apollo	610 H Street, N.E.	59,000	\$195,000	4th Qtr 2016
<b>Office:</b>				
CFPB HQ Modernization	1700 G Street, N.W.	503,000	\$139,000	4th Qtr 2017
<b>Residential:</b>				
ART Place at Fort Totten (Phase I)	5180 South Dakota Avenue, N.E.	520 units	\$135,000	3rd Qtr 2017
AVA NoMa	55 M Street, N.E.	438 units	\$145,000	1st Qtr 2017
Apollo	610 H Street, N.E.	431 units	\$195,000	4th Qtr 2016
Camden NoMa (Phase II)	61 Pierce Street, N.E.	405 units	\$70,000	1st Qtr 2017
909 Half Street	20 K Street, S.E.	383 units	\$100,000	1st Qtr 2017
Agora	800 New Jersey Avenue, S.E.	334 units	\$141,000	4th Qtr 2017
<b>Hospitality:</b>				
Trump International Hotel (The Old Post Office)	1100 Pennsylvania Avenue, N.W.	536,000	\$200,000	3rd Qtr 2016
National Museum of African-American History & Culture	The National Mall	409,000	\$385,000	3rd Qtr 2016
F1rst	1st & N Street, S.E.	127,200	\$150,000	1st Qtr 2017
The Line DC	1780 Columbia Road, N.W.	176,671	\$100,000	1st Qtr 2017
<b>Education and Medical:</b>				
Watkins Elementary School	420 12th Street, S.E.	70,826	\$44,000	3rd Qtr 2017
Marie Reed Elementary School	2201 18th Street, N.W.	140,000	\$62,000	3rd Qtr 2017
MSSD Residence Hall	800 Florida Avenue, N.E.	68,500	\$28,000	4th Qtr 2016

Source: Washington, DC Development Report 2017/2018 Edition.

Table T6 – Projects Under Construction (by Economic Sector)

Project	Location	Square Footage/ Units	Estimated Value (in \$000s)	Estimated Delivery Date (Calendar Year Basis)
<b>Retail:</b>				
655 New York Avenue	655 New York Avenue, N.W.	80,551	\$185,000	2nd Qtr 2018
The Wharf (Phase I)	Southwest Waterfront	190,000	\$1,326,000	4th Qtr 2017
Skyland Town Center (Phase I - Block 2)	Alabama Avenue & Naylor Road, S.E.	117,000	\$175,000	2020
700 Penn	700 Pennsylvania Avenue, S.E.	60,000	\$227,000	4th Qtr 2017
McMillan Sand Filtration Site	North Capitol Street & Michigan Avenue, N.W.	80,000	\$720,000	2021
Midtown Center	1150 15th Street, N.W.	44,000	\$350,000	2nd Qtr 2018
<b>Office:</b>				
Midtown Center	1150 15th Street, N.W.	821,000	\$350,000	2nd Qtr 2018
655 New York Avenue	655 New York Avenue, N.W.	653,474	\$185,000	2nd Qtr 2018
200 Massachusetts Avenue	200 Massachusetts Avenue, N.W.	381,746	\$200,000	2nd Qtr 2018
One Freedom Plaza	1301 Pennsylvania Avenue, N.W.	270,040	Not provided	1st Qtr 2019
2112 Pennsylvania Avenue	2110 Pennsylvania Avenue, N.W.	243,500	\$125,000	4th Qtr 2017
99 M Street	1st Street & M Street, S.E.	215,000	\$116,000	1st Qtr 2018
Center Building (DHS HQ)	St. Elizabeths West Campus	284,000	\$155,000	4th Qtr 2017
The Wharf (Phase I)	Southwest Waterfront	500,000	\$1,326,000	4th Qtr 2017
Capitol Crossing (North Block)	I-395 at 3rd, E & Massachusetts Avenue, N.W.	954,000	\$725,000	4th Qtr 2019
<b>Residential:</b>				
Shapiro Residences	1270 4th Street, N.E.	432 units	\$150,000	4th Qtr 2018
The Belgard	33 N Street, N.E.	346 units	\$150,000	1st Qtr 2018
The Wharf (Phase I)	Southwest Waterfront	870 units	\$1,326,000	4th Qtr 2017
<b>Hospitality:</b>				
CityCenterDC (Conrad Hotel)	950 New York Avenue, N.W.	358,000	\$270,000	1st Qtr 2019
D.C. United Stadium	100 Potomac Avenue, S.W.	421,000	\$287,000	2nd Qtr 2018
Columbia Place	901 L Street, N.W.	350,000	\$225,000	3rd Qtr 2018
International Spy Museum	900 L'Enfant Plaza, S.W.	140,000	\$162,000	3rd Qtr 2018
The Wharf (Phase I)	Southwest Waterfront	630,000	\$1,326,000	4th Qtr 2017
<b>Education and Medical:</b>				
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.	1,017,500	\$720,000	2021
Corcoran Gallery of Art	500 17th Street, N.W.	100,000	\$80,000	2nd Qtr 2018
The Conway Center	4430 Benning Road, N.E.	37,700	\$90,000	4th Qtr 2017
THE ARC (Phase III)	18th Street & Mississippi Avenue, S.E.	67,340	\$34,000	4th Qtr 2017

Source: Washington, D.C. Development Report 2017/2018 Edition.

## Office, Residential, Sports, Medical and Hospitality Projects:

- **Capitol Crossing**

The \$1.3 billion Capitol Crossing project is one of the District's largest private development projects 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. Once it is complete, the project is expected to generate about \$40 million in property tax revenue every year, 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 and the entire project is to be completed in 2020.

- **The Wharf – Washington, D.C. Waterfront**

The Wharf is one of the region's largest redevelopment opportunities which is transforming 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. The 3.2 million square-foot site features 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 and a commercial anchor for the community and those who visit the nation's capital's monuments and museums.

Phase I consists of a building area of more than 1.9 million square feet, and includes: 872 residential units; 90,000 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.

The Wharf is now open and planning is ongoing for its next and final phase. When complete, Phase II will feature 1.15 million square feet of additional mixed-use development, including office, residential, marina, and retail space, as well as parks and public spaces, across an approximate half mile of waterfront. Groundbreaking of Phase II is scheduled for mid-2018 and is expected to be completed in 2022.

- **Parks at Walter Reed Town Center**

In April 2017, the District broke ground on the Walter Reed Army Medical Center redevelopment project after signing the Walter Reed Development

Omnibus Act of 2016, which authorized the District to acquire 66 acres of the former Walter Reed campus from the Army and begin development of a vibrant new mixed-use community. Phase I of the 66-acre Parks at Walter Reed project involves infrastructure improvements across the historic campus and demolishing the main 2.7 million-square-foot 1970s-era hospital building, which will prepare the site for the development of the new town center.

The master development plan of the site, which is undertaken through a ground lease agreement by a joint venture consisting of Hines, Urban Atlantic and Triden, is expected to transform the 3.1 million square-foot site over the years. The project features 1,560 apartments, 550 condos, 96 townhouses and 2-over-2 units, 432 of which will be affordable housing; 200,000 square feet of office and medical space; 240,000 square feet of retail; and a 200-room Hyatt hotel. In addition, approximately 30,000 square feet of space will be dedicated to creative and cultural uses across the area while preserving significant historic buildings along with roughly 20 acres of open space, community parks and plazas.

The redevelopment project is set to balance the homeless assistance needs with the economic redevelopment needs of the community by including State and Local Homeless Assistance Providers and Public Benefit Conveyance, collectively referred to as Notices of Interest (NOI) organizations. The project will also feature an Innovation Core that consists of forward-thinking companies in university medical research, bioscience and pharmaceutical spaces, as well as economic development and sustainability programs. At over \$1 billion in direct investment, the Parks at Walter Reed will serve as a major economic engine for the Washington, D.C. region, generating thousands of jobs and tens of millions in annual revenues.

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

In February 2017, District officials broke ground on a new world-class stadium for the second time. The new stadium for Major League Soccer team D.C. United will be built at Second, T, and R Streets and Potomac Avenue, S.W., just across South Capitol Street from Nationals Park baseball stadium. D.C. United made a multiyear deal with Audi for stadium naming rights requiring Audi to pay \$4 million a year for 10 to 15 years.

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 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 Stadium is scheduled to open



in June 2018.

- **Alexander Court**

The Alexander Court project features an eye-catching 12-story atrium that serves as the connective tissue between two buildings: 1) 2001 K Street, N.W. and 2) 2000 L Street, N.W., in downtown, DC. The 800,000 square-foot office building project consists of an expansion and renovation of both buildings, which will set the stage for a four-story addition, raising the 2000 L Street building to a dozen stories and featuring floor-to-ceiling glass windows. Atop that will be an enclosed rooftop conference center designed to be used year-round and connected via an accordion-style door that opens up onto an outdoor terrace. Other amenities will include a 7,500 square-foot state-of-the-art fitness center and a wine and coffee bar.

Joining the two buildings also allows Alexander Court to have interconnected entrance lobbies from L, 20th and K Streets. The Alexander Court project is expected to be completed in 2018 and will feature improvements to the vertical transportation systems, mechanical, electrical and plumbing building systems, new storefronts, canopies and interior finishes.

## Transportation and Other Projects:

- **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, S.E.
- 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. The Frederick Douglass Memorial Bridge is projected to open in 2021.

- **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 fee” 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 2017, the District collected approximately \$2.5 million in bag fees. Since the inception of the tax in 2010, the District has collected approximately \$16.9 million in such fees.

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: <https://dmped.dc.gov>

- **Office of Planning**

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

- **Office of Tax and Revenue**

1101 Fourth Street, S.W., Suite 270  
Washington, DC 20024  
Telephone: (202) 727-4829  
Website: <https://otr.cfo.dc.gov>

- **Department of General Services**

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

- **Department of Housing and Community Development**

1800 Martin Luther King Avenue, S.E.  
Washington, DC 20020  
Telephone: (202) 442-7200  
Website: <https://dhcd.dc.gov>

- **Department of Parks and Recreation**

1250 U Street, N.W. 2nd Floor  
Washington, DC 20009  
Telephone: (202) 673-7647  
Website: <https://dpr.dc.gov>

- **District Department of Transportation**

55 M Street, S.E., Suite 400  
Washington, DC 20003  
Telephone: (202) 673-6813  
Website: <https://ddot.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 CAFR for the fiscal year ended September 30, 2016. The District has received this award for 33 of the last 35 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 2017 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 the GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2016, for the fourteenth 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 2017 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, Cassandra Butler, 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 P.C. and GKA P.C., for their efforts throughout the audit engagement.

Respectfully submitted,

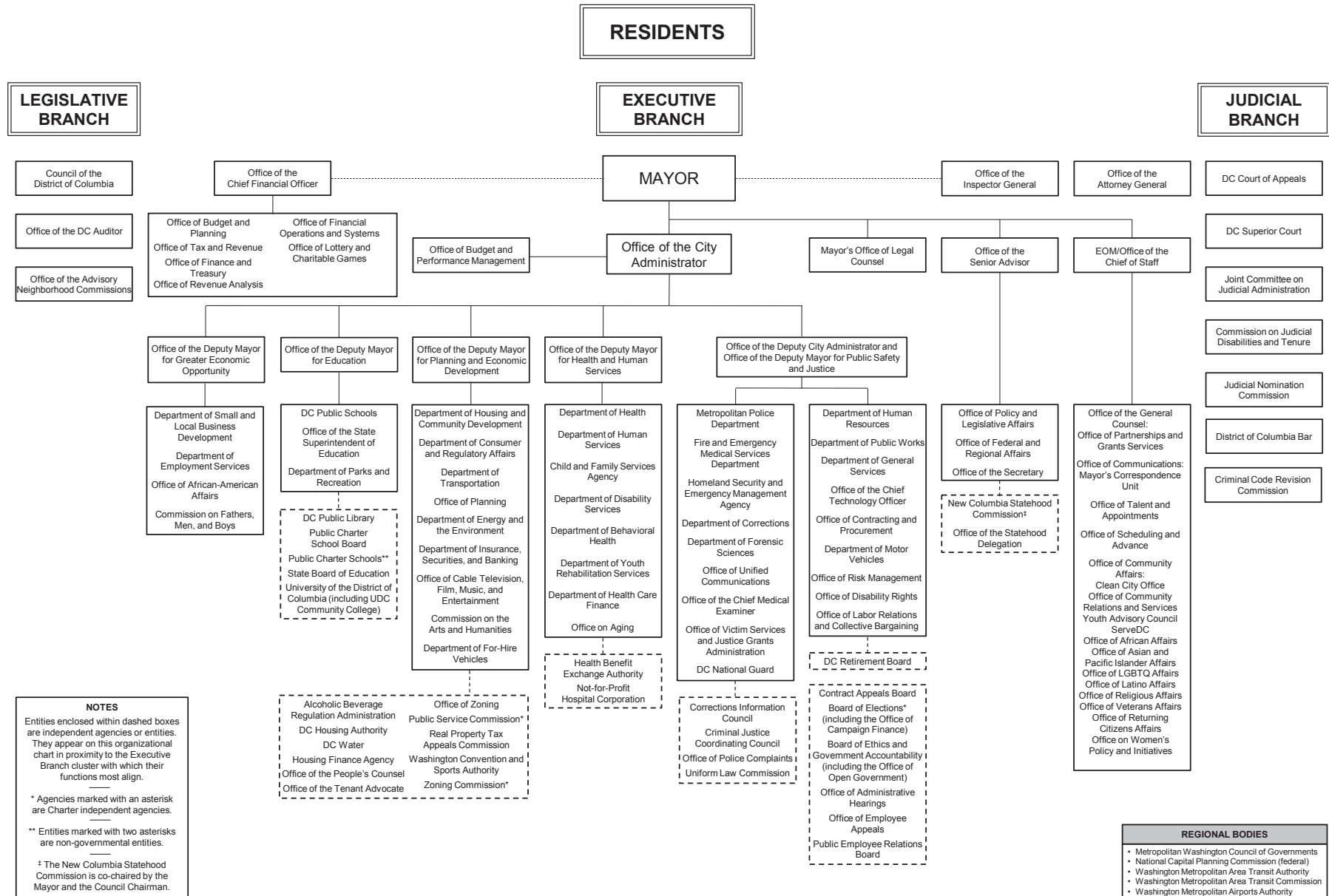


Bill Slack  
Deputy Chief Financial Officer and Controller  
Office of Financial Operations and Systems





# GOVERNMENT OF THE DISTRICT OF COLUMBIA



## DISTRICT OF COLUMBIA PRINCIPAL OFFICIALS

September 30, 2017

ELECTED OFFICIALS			
Name	Position	First Took Office	Term Expires
<b>Executive Office of the Mayor</b>			
Muriel Bowser	Mayor	2015	2019
<b>Office of the Attorney General</b>			
Karl A. Racine	Attorney General	2015	2019
<b>Council</b>			
Phil Mendelson	Chairman	1999	2019
Anita Bonds	At Large	2012	2019
David Grosso	At Large	2013	2021
Elissa Silverman	At Large	2015	2019
Robert C. White, Jr.	At Large	2016	2021
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
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 J. Richardson	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed A. Mohamed	Associate CFO, Governmental Operations
George Dines	Associate CFO, Government Services
Delicia V. 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
Beth A. Bresnahan	Executive Director, Lottery and Charitable Games (Beginning January 1, 2018)



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, 2016**

*Christopher P. Morill*

Executive Director/CEO





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# CAFR

2017

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FINANCIAL SECTION



## 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, 2017**



## **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, 2017, 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



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### ***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, 2017, 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 generally accepted accounting principles in the United States of America.

### ***Other Matters***

#### ***Emphasis of Matter***

As discussed in Note 1Y to the financial statements, during the year ended September 30, 2017, the District adopted new accounting guidance from Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. Our opinion is not modified with respect to this matter.

#### ***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, 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.





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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.

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 2016 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 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, 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 24, 2018, 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 24, 2018

*SB & Company, LLC*

# MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

(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, 2017, which includes a narrative overview and analysis of the District's financial activities. This information should be read in conjunction with the letter of transmittal, located in the Introductory Section of this report, and the District's basic financial statements and notes to the basic financial statements, which follow this discussion and analysis.

## FINANCIAL HIGHLIGHTS

- As of September 30, 2017, the District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$5,382,861. The District had a positive unrestricted net position in fiscal year 2017 of \$144,073, a decrease of \$36,986 over the previous year. This decrease in unrestricted net position resulted primarily from amounts that were reclassified from unrestricted to restricted net position to cover increases in debt service reserves. (See **Table MDA-1**)
- Total District revenues increased by \$593,554, as a result of increases in most revenue categories. Primarily, revenues from operating grants and contributions, property taxes, and sales and use taxes increased by \$267,619, \$147,071, and \$75,679, respectively. This increase in total revenues in fiscal year 2017 was mainly caused by certain economic factors such as: higher assessed values and sales of commercial and residential properties, and an increase in population. In spite of these significant increases in revenues, charges for services decreased over the one-year period, mainly due to decreases in fines and forfeits revenues caused by fewer non-photo ticket issuances. (See **Table MDA-2**)
- District expenses increased by \$548,013 during fiscal year 2017 as a result of significant increases in spending in Human Support Services and Public Education System. Some of the increases were offset by declines in expenses in Public Safety and Justice and Governmental Direction and Support during fiscal year 2017. (See **Table**

### MDA-2)

- The District's total net position increased by \$469,034 (3.68% above expenses) during fiscal year 2017 mainly as a result of increases in revenues from property taxes, sales and use taxes, and income and franchise taxes. Although expenses also increased between fiscal years 2016 and 2017, the rate of increase was less than that experienced in revenues. Due to effective management, expenses were well below budgeted levels. (See **Table MDA-2**)
- The District's total long-term liabilities decreased by \$88,151, or 0.77%, during fiscal year 2017. This decrease is mainly due to decreases in net pension liabilities partially offset by the District's issuance of General Obligation Bonds during fiscal year 2017 to finance capital improvement projects. (See **Table MDA-1**)
- As of September 30, 2017, the District reported an increase in fund balance in its General Fund of \$287,202 to \$2,676,291. Total governmental funds reported combined ending fund balances of \$2,710,084, a decrease of \$204,166 in comparison with the prior year. The decrease in fund balance within the governmental funds resulted from a decrease in fund balance of the General Capital Improvements Fund. During fiscal year 2017, capital projects were financed through the use of debt proceeds 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 three major proprietary funds, the Office of Lottery and Charitable Games, Unemployment Compensation Fund and Not-for-Profit Hospital Corporation.

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 Other Postemployment Benefits Trust Funds, Private Purpose Trust Fund, and Agency Funds. All of the fiduciary funds, except the agency funds, consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. The agency funds report only assets and liabilities and do not report net position, since they account 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 (including nonmajor governmental funds), and supporting schedules are presented in the other supplementary information section presented on pages 145 through 171.

## **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 fiscal year 2016 numbers are restated due to the implementation of GASB Statement No. 80, which

required the inclusion of the Not-for-Profit Hospital as a blended component unit. The information for fiscal years 2016 and 2017 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, 2017

	Governmental activities		Business-type activities		Totals	
	2017	2016	2017	2016, as restated	2017	2016, as restated
Current and other assets	\$ 5,342,804	\$ 4,891,340	\$ 505,503	\$ 473,949	\$ 5,848,307	\$ 5,365,289
Capital assets	13,020,369	12,431,889	79,737	68,475	13,100,106	12,500,364
Total assets	18,363,173	17,323,229	585,240	542,424	18,948,413	17,865,653
Deferred outflows of resources	368,872	459,144	-	-	368,872	459,144
Long-term liabilities	11,302,441	11,385,624	9,120	14,088	11,311,561	11,399,712
Other liabilities	1,818,626	1,689,766	68,862	61,176	1,887,488	1,750,942
Total liabilities	13,121,067	13,075,390	77,982	75,264	13,199,049	13,150,654
Deferred inflows of resources	735,375	260,316	-	-	735,375	260,316
Net position:						
Net investment in capital assets	3,204,028	2,835,463	79,700	68,319	3,283,728	2,903,782
Restricted	1,538,687	1,440,889	416,373	388,097	1,955,060	1,828,986
Unrestricted	132,888	170,315	11,185	10,744	144,073	181,059
<b>Total net position</b>	<b>\$ 4,875,603</b>	<b>\$ 4,446,667</b>	<b>\$ 507,258</b>	<b>\$ 467,160</b>	<b>\$ 5,382,861</b>	<b>\$ 4,913,827</b>

Table MDA - 2 – Change in Net Position for the Year Ended September 30, 2017

	Governmental activities		Business-type activities		Totals		
	2017	2016	2017	2016, as restated	2017	2016, as restated	Variance
Revenues:							
Program revenues:							
Charges for services	\$ 594,322	\$ 598,747	\$ 342,411	\$ 346,805	\$ 936,733	\$ 945,552	\$ (8,819)
Operating grants and contributions	3,832,821	3,577,091	25,217	13,328	3,858,038	3,590,419	267,619
Capital grants and contributions	219,751	167,948	-	20,113	219,751	188,061	31,690
General revenues:							
Property taxes	2,651,688	2,504,617	-	-	2,651,688	2,504,617	147,071
Sales and use taxes	1,527,120	1,451,441	-	-	1,527,120	1,451,441	75,679
Income and franchise taxes	2,479,847	2,417,206	-	-	2,479,847	2,417,206	62,641
Other taxes	866,908	863,466	143,728	145,887	1,010,636	1,009,353	1,283
Non-tax revenues	537,208	521,931	9,645	8,532	546,853	530,463	16,390
<b>Total revenues</b>	<b>12,709,665</b>	<b>12,102,447</b>	<b>521,001</b>	<b>534,665</b>	<b>13,230,666</b>	<b>12,637,112</b>	<b>593,554</b>
Expenses:							
Governmental direction and support	1,085,592	1,228,553	-	-	1,085,592	1,228,553	(142,961)
Economic development and regulation	591,861	548,314	-	-	591,861	548,314	43,547
Public safety and justice	1,594,081	1,799,670	-	-	1,594,081	1,799,670	(205,589)
Public education system	2,602,658	2,271,561	-	-	2,602,658	2,271,561	331,097
Human support services	4,863,087	4,497,123	-	-	4,863,087	4,497,123	365,964
Public works	758,431	701,559	-	-	758,431	701,559	56,872
Public transportation	368,014	359,097	-	-	368,014	359,097	8,917
Interest on long-term debt	446,621	392,638	-	-	446,621	392,638	53,983
Lottery and games	-	-	173,241	174,882	173,241	174,882	(1,641)
Unemployment compensation	-	-	143,942	114,633	143,942	114,633	29,309
Not-for-profit hospital corporation	-	-	134,104	125,589	134,104	125,589	8,515
<b>Total expenses</b>	<b>12,310,345</b>	<b>11,798,515</b>	<b>451,287</b>	<b>415,104</b>	<b>12,761,632</b>	<b>12,213,619</b>	<b>548,013</b>
<b>Increase in net position before transfers</b>	<b>399,320</b>	<b>303,932</b>	<b>69,714</b>	<b>119,561</b>	<b>469,034</b>	<b>423,493</b>	<b>45,541</b>
Transfers in (out)	29,616	43,287	(29,616)	(43,287)	-	-	-
Change in net position	428,936	347,219	40,098	76,274	469,034	423,493	45,541
Net position - October 1, as restated	4,446,667	4,099,448	467,160	390,886	4,913,827	4,490,334	423,493
<b>Net position - Sept 30</b>	<b>\$ 4,875,603</b>	<b>\$ 4,446,667</b>	<b>\$ 507,258</b>	<b>\$ 467,160</b>	<b>\$ 5,382,861</b>	<b>\$ 4,913,827</b>	<b>\$ 469,034</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.

## Financial Analysis of the Government as a Whole

The District's combined net position (governmental and business-type activities) increased by \$469,034 or 9.55% from \$4,913,827 in fiscal year 2016 to \$5,382,861 in fiscal year 2017. Revenues increased by \$593,554 while expenses increased by \$548,013. Program revenues, which were approximately 37.90% of the District's total revenues in fiscal year 2017, increased by \$290,490, or 6.15%. This increase was due primarily to increases in operating capital grants and contributions. The operating grants comprising this increase were used primarily in support of programs and services in the areas of Governmental Direction and Support, Human Support Services, and Public Education System. Capital grant expenditures increased in the area of Public Works.

General revenues, derived primarily from taxes, represented approximately 62.10% of the District's total revenues in fiscal year 2017. Such revenues increased by \$303,064, or 3.83%, due to higher assessed values of properties and improving economic conditions compared to the prior year. In addition, increases in income and franchise taxes in fiscal year 2017 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 Human Support Services and Public Education System, which grew by \$365,964, or 8.14%, and \$331,097, or 14.58% respectively. Human Support Services expenses increased as a result of higher costs associated with contractual services to support

various programs which benefit the District's most vulnerable residents. The increases in the Public Education System were mainly due to increases in student enrollment and settlements related to Medicaid eligible service costs.

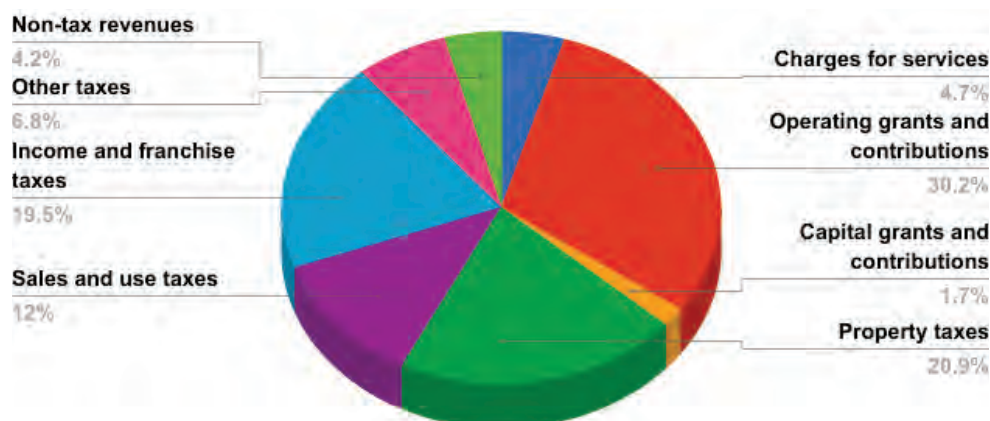
*Restricted net position* represents assets that are subject to use constraints imposed either: (a) externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) by law, through constitutional provisions or enabling legislation. Restricted net position totaled \$1,955,060 in fiscal year 2017 and \$1,828,986 in fiscal year 2016, representing an increase of \$126,074, or 6.89%. The most significant increases in restricted net position were related to reserves for debt service, pensions, and benefit payments.

*Unrestricted net position* decreased by \$36,986 to \$144,073 in fiscal year 2017 compared to \$181,059 in fiscal year 2016. The decline in unrestricted net position occurred partly as a result of an increase in reserves and increases in long-term debt.

The Office of Lottery and Charitable Games (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 2017 and 2016, the Lottery transferred \$45,600 and \$53,287 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, 2017, found on page 28.

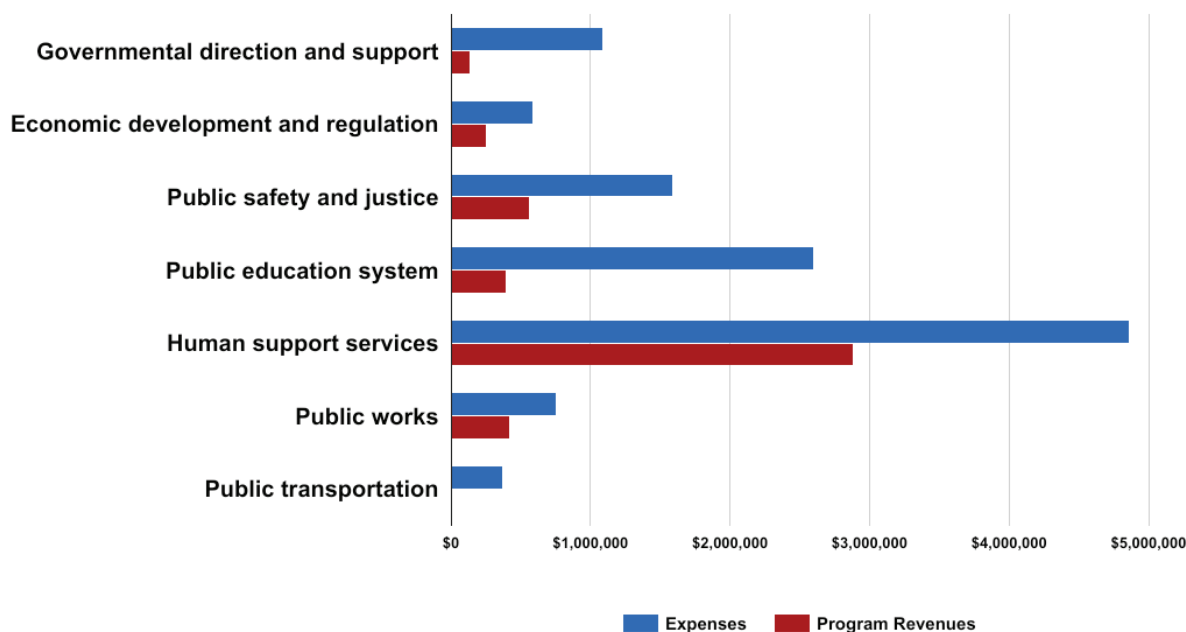


**Chart MDA-1 – Revenue by Source – Governmental Activities**

Charges for services	\$	594,322
Operating grants and contributions		3,832,821
Capital grants and contributions		219,751
Property taxes		2,651,688
Sales and use taxes		1,527,120
Income and franchise taxes		2,479,847
Other taxes		866,908
Non-tax revenues		537,208
<b>Total Governmental Activities Revenues</b>	<b>\$</b>	<b>12,709,665</b>

**Chart MDA-2** displays both expenses and program revenues of the governmental activities for fiscal year 2017. 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**

Total net position of governmental activities was \$4,875,603 in fiscal year 2017, which was \$428,936 or 9.65% higher than the amount in the prior year. This increase mainly resulted from significant increases in revenues from operating grants and contributions and property taxes.

Net position of the business-type activities increased by \$40,098 or 8.58%, between fiscal year 2016 and 2017. Net position increased as a result of revenues from employer taxes and government contributions exceeding benefit payments, resulting in an operating surplus of \$33,015 in the Unemployment Compensation Fund. An increase in patient service revenues of \$3,403, or 2.9%, at the Not-for-Profit Hospital Corporation also contributed to the increase in the net position of the business-type activities.

### 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 plus deferred inflows of resources that are at least 10% of the corresponding totals for all governmental or proprietary 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 \$2,710,084 in fiscal year 2017 and \$2,914,250 in fiscal year 2016, which represents a decrease of \$204,166, or 7.01%, 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 2017 and FY 2016 Fund Balance**

Governmental Fund	2017	2016	Dollar Variance	Percentage Variance
General	\$ 2,676,291	\$ 2,389,089	\$ 287,202	12.02%
Federal and private resources	133,129	160,142	(27,013)	(16.87%)
Housing production trust	236,988	250,311	(13,323)	(5.32%)
General capital improvements	(642,032)	(228,870)	(413,162)	180.52%
Nonmajor governmental funds	305,708	343,578	(37,870)	(11.02%)
<b>Total Fund Balance</b>	<b>\$ 2,710,084</b>	<b>\$ 2,914,250</b>	<b>\$ (204,166)</b>	<b>(7.01%)</b>

Fund balance in the Federal and Private Resources Fund decreased by \$27,013, or 16.87%, between fiscal years 2016 and 2017. The decrease in fund balance was mainly due to financing projects of the District of Columbia Public Charter Schools for the construction, acquisition, renovation, and maintenance of public charter schools. In addition, prior years' resources were used to fund increases in current year expenditures. Total revenues in the Federal and Private Resources Fund increased by \$265,557 while expenditures increased by \$273,824.

Fund balance in the Housing Production Trust Fund decreased by \$13,323, or 5.32%, between fiscal years 2016 and 2017. This decrease was due primarily to increased expenditures in fiscal year 2017 related to the Mayor's initiative to preserve and/or increase the

supply of quality affordable housing for low-income families in the District. The Department of Housing and Community Development, which administers this initiative, had more housing projects in its pipeline for completion, which resulted in increased expenditures.

The negative fund balance of \$228,870 in General Capital Improvements Fund at September 30, 2016 further declined during fiscal year 2017, by \$413,162, or 180.52%. As a result of this decline, at September 30, 2017, fund balance in this Fund was negative \$642,032.

The most significant fund balance increase within the governmental funds, which totaled \$287,202, 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 \$232,801 in

fiscal year 2017. **Table MDA-4** presents the most significant variances in General Fund revenues.

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

Revenue Category	2017	2016	Dollar Variance	Percentage Variance
Property taxes	\$ 2,571,517	\$ 2,470,004	\$ 101,513	4.11%
Sales and use taxes	1,477,254	1,401,058	76,196	5.44%
Income and franchise taxes	2,512,522	2,464,330	48,192	1.96%
<b>Total</b>	<b>\$ 6,561,293</b>	<b>\$ 6,335,392</b>	<b>\$ 225,901</b>	<b>3.57%</b>

**Property taxes:**

Increases in property tax revenues were mostly attributable to higher assessed values of property. The District's residential market continued to show solid improvement in fiscal year 2017, with residential home prices and sales increasing. The continued recovery and economic growth resulted in increased billings and collections for residential property taxes in fiscal year 2017.

**Sales and use taxes:**

Strong growth in the hospitality sector (hotels and restaurants) and the continuing addition of e-commerce entities to the sales tax base over the past year contributed to increased sales and use tax revenues in fiscal year 2017.

**Income and franchise taxes:**

As evidenced by the continued low unemployment rate and an increase in population, more individuals joined the workforce during fiscal year 2017. 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 2017 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 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 2017, the District dedicated a total of \$527,743 in tax revenues to fund the projects shown in **Table MDA-5**.

**Expenditures:**

The District's General Fund expenditures, excluding debt service, increased by \$174,060 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 Dedicated Taxes	Convention Center	Healthcare Programs	Highway Trust Fund	WMATA	Healthy Schools	Alcoholic Beverage Regulation Administration	HPTF Debt Service	Tax Increment Financing Program	PILOT Special Revenue	Baseball Project	Housing Production Trust Fund
Property taxes	\$ 45,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,760	\$ 25,826	\$ -	\$ -
Sales and use taxes	267,597	138,128	-	-	74,167	4,266	1,170	-	32,102	-	17,764	-
Deed recordation	37,522	-	-	-	-	-	-	5,603	-	-	-	31,919
Gross receipts taxes	41,529	-	-	-	-	-	-	-	-	-	41,529	-
Deed transfers	28,317	-	-	-	-	-	-	2,222	-	-	-	26,095
Motor fuel taxes	26,099	-	-	26,099	-	-	-	-	-	-	-	-
Other taxes	81,093	-	81,093	-	-	-	-	-	-	-	-	-
<b>Total taxes</b>	<b>\$ 527,743</b>	<b>\$ 138,128</b>	<b>\$ 81,093</b>	<b>\$ 26,099</b>	<b>\$ 74,167</b>	<b>\$ 4,266</b>	<b>\$ 1,170</b>	<b>\$ 7,825</b>	<b>\$ 51,862</b>	<b>\$ 25,826</b>	<b>\$ 59,293</b>	<b>\$ 58,014</b>

Table MDA-6 – General Fund Expenditure Variances by Function

Function/Program	2017	2016	Dollar Variance	Percentage Variance
Governmental direction and support	\$ 945,270	\$ 957,151	\$ (11,881)	(1.24%)
Economic development and regulation	382,625	404,313	(21,688)	(5.36%)
Public safety and justice	1,188,291	1,227,558	(39,267)	(3.20%)
Public education system	2,078,134	1,947,968	130,166	6.68%
Human support services	1,949,127	1,860,387	88,740	4.77%
Public works	358,929	339,856	19,073	5.61%
Public transportation	368,014	359,097	8,917	2.48%
<b>Total Expenditures by Function</b>	<b>\$ 7,270,390</b>	<b>\$ 7,096,330</b>	<b>\$ 174,060</b>	<b>2.45%</b>

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

**Governmental Direction and Support** – The decrease in expenditures in Governmental Direction and Support resulted from the District experiencing less significant and fewer weather events/snow emergencies during fiscal year 2017. During the previous fiscal year, the District incurred approximately \$37 million for snow removal and other related emergency response needs. The District did not incur “snow emergency” costs of this magnitude during fiscal year 2017. In addition, spending plans were deferred to subsequent periods for voter registration services and election operations, for which expenditures are anticipated in fiscal year 2018. The reduction in certain grant-funded programs also contributed to further decreases in expenditures during the fiscal year.

**Economic Development and Regulation** – Decreased expenditures in Economic Development and Regulation resulted mostly from decreases in subsidies to the Housing Production Trust Fund. The total decrease in Economic Development and Regulation expenditures was relatively small due to increased expenditures for resource and program enhancements designed to preserve and increase the supply of quality affordable housing for low-income persons, those with mental or emotional illness, and senior citizens.

**Public Safety and Justice** – Expenditures in Public Safety and Justice decreased because certain expenditures made in fiscal year 2016 to meet specific operational requirements were no longer needed in the following fiscal year. For instance, during fiscal year 2016 certain infrastructure improvements were made in the Call Centers; expenditures were made to purchase body worn cameras; and upgrades were made to the Sentencing Code System. Such expenditures were essentially one-time costs which did not recur in the following year. In addition, there were decreases in reimbursable overtime paid to Police Details for federal agencies as demand decreased in fiscal year 2017 for special events services.

**Public Education System** – The increase in Public Education System expenditures is due primarily to an increase in the Uniform Per Student Funding rate

to account for the Inflation Factor, and also reflect increases of student enrollments in fiscal year 2017. The increase in expenditures was also attributed to certain Medicaid reimbursable cost increases. The D.C. Public Charter School Board incurred additional costs for a lead testing project, which also contributed to increased Public Education System expenditures.

**Human Support Services** – During fiscal year 2017, the Human Support Services agencies continued to provide an array of services to sustain, support and assist the District's most vulnerable residents in the areas of 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). Increases in expenditures were associated with the following areas: 1) teen pregnancy prevention, 2) the expansion of substance abuse disorder care, 3) Oral Health Program to provide dental services to students in DC Public Schools, 4) teen peer educators who are responsible for providing sexual health information to District youths, 5) Produce Plus and Healthy Corners partnerships to deliver fresh produce and healthy snacks to corner stores in low-income communities, 6) School-Based Health Centers which allow students to receive primary health care services on school grounds, and 7) HIV/AIDS Housing by providing integrated housing, nursing, and support services for homeless people with late-stage AIDS or terminal cancer. Additional increases resulted from expenditures in support of the Summer Youth Employment Program.

**Public Works** – Increases in Public Works expenditures were primarily attributable to spending on certain initiatives such as the Stormwater Retention Credit Program and other stream restoration work. In addition, during fiscal year 2017, responsibilities for fleet maintenance and repairs, which were formerly housed within the District's Department of Transportation (DDOT), were moved to the Department of Public Works (DPW) as part of a pilot program. The shift of these responsibilities to DPW resulted in increased Public Works expenditures. Moreover, DPW's rental of snow equipment to assist in the District's snow removal program also contributed to the increase in expenditures in this functional area.



**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 2017 resulted from increased WMATA operating costs, which led to increased subsidies paid by the District.

### Capital Expenditures and Financing

The District spent \$1,204,043 on general capital improvements which exceeded the general capital improvements revenues of \$225,876 by \$978,167. This deficiency was subsequently financed with a total of \$565,005 from bond proceeds and other financing sources. The net change in fund balance was a decrease of \$413,162, which resulted in a cumulative negative fund balance of \$642,032.

The District's investments in capital improvements are based on need rather than available current year resources. 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, and 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.

### Housing Production Trust Fund

At the end of fiscal year 2017, the Housing Production Trust Fund (HPTF) loans/accounts receivable balance was approximately \$605,479, an increase of approximately \$282,306, or 87.35% from the fiscal year 2013 balance and an increase of approximately \$109,659 from the balance at the end of the immediately preceding fiscal year. The vast majority of the loans have been deferred far into the future which impacts the rate of collection and the net realizable value. As such, the gross balance of the loans/accounts receivable is reported net of the related allowance for doubtful accounts as other long-term assets. As of September 30, 2017, this net balance was \$95,014.

**Table MDA-7** presents the Housing Production Trust Fund loans/accounts receivable balances and the corresponding allowance for doubtful accounts for fiscal years 2013 through 2017.

**Table MDA-7 - Housing Production Trust Fund Loans/Accounts Receivable Balances**

	2013	2014	2015	2016	2017
HPTF loans/accounts receivable	\$ 323,173	\$ 351,965	\$ 407,882	\$ 495,820	\$ 605,479
Less: Allowance for doubtful accounts	57,395	309,858	365,585	440,948	510,465
<b>Net Accounts Receivable (Other Long-Term Assets)</b>	<b>\$ 265,778</b>	<b>\$ 42,107</b>	<b>\$ 42,297</b>	<b>\$ 54,872</b>	<b>\$ 95,014</b>

### Proprietary Funds

The District has three major Proprietary Funds: the Office of Lottery and Charitable Games (Lottery), the Unemployment Compensation Fund (Unemployment) and the Not-for-Profit Hospital Corporation.

The total assets for the Lottery decreased by \$515, or 2.74%, compared to the prior year, due to scheduled payments to long-term prize winners.

Total assets for Unemployment increased by \$36,956, or 8.85%, due to a low unemployment rate which resulted in less benefit payments. As a result, more cash was on deposit with the U.S. Treasury at the end of fiscal year 2017. Also, the amount due from the federal government (benefit payments accrued for eligible unemployed civilian and ex-military personnel) increased significantly.

The total assets for the Not-for-Profit Hospital Corporation increased by \$6,536, or 5.11%, mainly due to higher capital asset additions and an increase in patient receivables.

Overall total net position of the District's proprietary funds increased by \$40,098, or 8.58%, 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

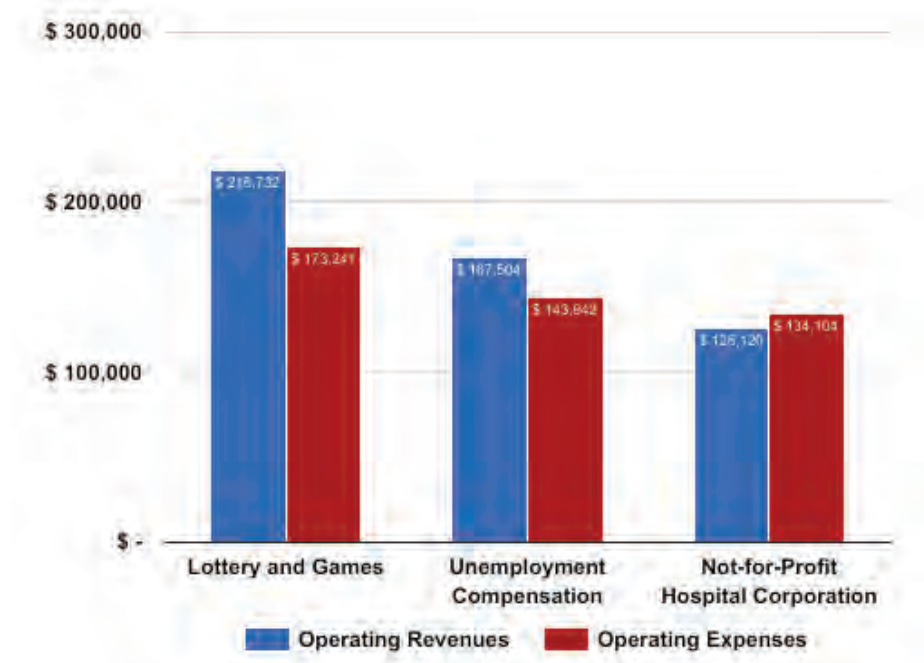
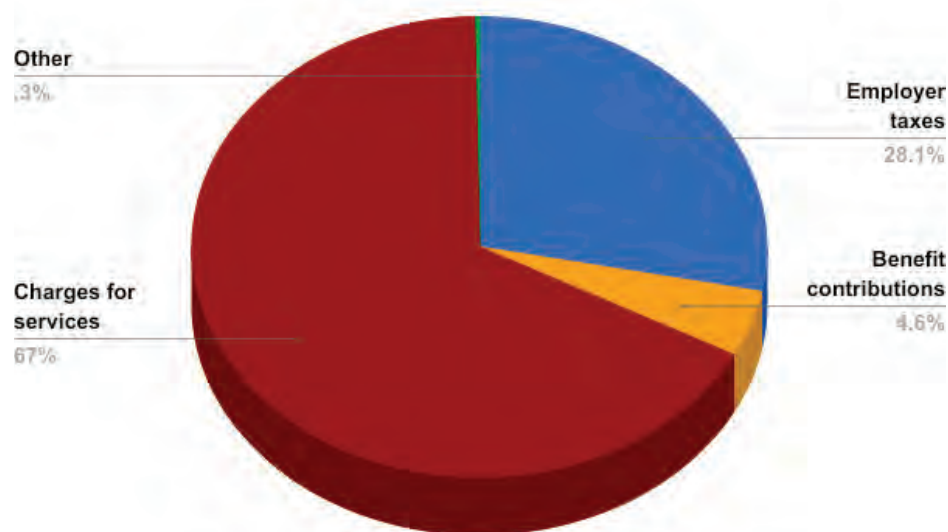


Chart MDA-4 – Revenues by Source – Business-Type Activities



Employer taxes	\$ 143,728
Benefit contributions	23,776
Charges for services	342,411
Other	1,441
<b>Total Business-Type</b>	<b>\$ 511,356</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-8**.

Net position of the fiduciary funds increased mainly as a result of higher investment returns in fiscal year 2017.

**Table MDA-8 – Variances in Net Position of Pension and OPEB Trust Funds**

Trust Fund	2017	2016	Dollar Variance	Percentage Variance
Police and Firefighters Pension	\$ 5,684,442	\$ 4,954,631	\$ 729,811	14.73%
Teachers Pension	2,070,599	1,821,949	248,650	13.65%
Other Postemployment Benefits	1,366,282	1,197,441	168,841	14.10%
<b>Total Net Assets</b>	<b>\$ 9,121,323</b>	<b>\$ 7,974,021</b>	<b>\$ 1,147,302</b>	<b>14.39%</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 four discretely presented component units: (1) Health Benefit Exchange Authority; (2) Washington Convention and Sports Authority (t/a Events DC); (3) Housing Finance Agency; and (4) 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 meets any one of the following criteria: (a) the entity 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; (b) the entity's total debt

outstanding is expected to be repaid entirely or almost entirely with the primary government's resources; and (c) the organization is a not-for-profit corporation, in which the primary government is the sole corporate member.

The District reports two blended component units: (1) the Tobacco Settlement Financing Corporation (Tobacco Corporation) and (2) the Not-for-Profit Hospital Corporation (d/b/a United Medical Center). 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. The Not-for-Profit Hospital Corporation is a blended component unit because: (a) 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; (b) 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; and (c) it is organized as a not-for-profit corporation, in which the District is the sole corporate member.

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 the District's component unit financial information for fiscal year 2017. Information presented in these exhibits was extracted from each entity's separately issued financial statements.

### Short-Term Debt

Historically, during the first quarter of each fiscal year, the District has issued short-term debt, in the form of Tax Revenue Anticipation Notes (TRANS), to finance seasonal cash flow needs. Such needs arise due to time lags between the receipt of taxes, grants, and other revenues, and the outflow of funds for governmental operations and required disbursements. When such debt is issued, the District is required by law to repay the short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred.

Due to the District's improved cash management practices and the build-up of reserves, the use of short-term borrowing in the manner described was not required in fiscal year 2017. Accordingly, the District did not issue any TRANS in that year.

### 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, 2017, the District had \$11,311,561 (including business activities) in long-term debt outstanding, of which \$9,528,241, or 84.23% was in the form of bonds. Of the outstanding bonds, \$4,078,160, or 42.80%, were General Obligation Bonds, and \$4,030,695, or 42.30%, were Income Tax Secured Revenue Bonds. **Table MDA-9** presents the District's outstanding bonds as of September 30, 2017.

**Table MDA-9 – Outstanding Bonds as of September 30, 2017 and 2016**

Outstanding Bond Debt				
Type of Bonds	2017	2016	Dollar Variance	Percentage Variance
General Obligation Bonds	\$ 4,078,160	\$ 3,829,305	\$ 248,855	6.50%
Income Tax Secured Revenue Bonds	4,030,695	4,240,155	(209,460)	(4.94%)
Other Bonds:				
Qualified Zone Academy Bonds	3,155	3,845	(690)	(17.95%)
Tobacco Bonds	583,434	600,974	(17,540)	(2.92%)
TIF Bonds	92,686	96,822	(4,136)	(4.27%)
Ballpark Bonds	334,005	371,305	(37,300)	(10.05%)
GARVEE Revenue Bonds	90,170	97,420	(7,250)	(7.44%)
HPTF Bonds	110,240	112,965	(2,725)	(2.41%)
PILOT Revenue Bonds	205,696	214,213	(8,517)	(3.98%)
<b>Total</b>	<b>\$ 9,528,241</b>	<b>\$ 9,567,004</b>	<b>\$ (38,763)</b>	<b>(0.41%)</b>



The \$248,855 increase in General Obligation Bonds is due primarily to the following bond issuances made in fiscal year 2017:

- In December 2016, the District issued \$398,910 Series 2016D General Obligation Bonds and \$190,635 in Series 2016E General Obligation Refunding Bonds. The proceeds of the Series 2016D Bonds were used to: (1) finance capital project expenditures under the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Series 2016D Bonds. The proceeds of the Series 2016E Bonds were 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 interest rate pertaining to the Series 2016D Bonds ranges from 3.00% to 5.00%. The interest rate pertaining to the Series 2016E Bonds is 5.00%.
- In June 2017, the District issued \$563,520 in General Obligation Bonds, Series 2017A. The proceeds of the Series 2017A Bonds were used to: (1) current refund a portion of the District's General Obligation Bonds, Series 2007A and the General Obligation Refunding Bonds, Series 2007B; and (2) pay the costs and expenses of issuing and delivering the Series 2017A Bonds. The interest rate pertaining to the Series 2017A Bonds ranges from 3.00% to 5.00%.

For more detailed information on the District's long-term debt activity, refer to Note 8, Long-Term Liabilities, found on pages 107 through 118.

### 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 2017, total net capital assets (capital assets less depreciation) increased by \$599,742, or 4.80%, over the prior year. Total overall capital assets increased 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, 2017, net capital assets (capital assets less depreciation) totaled \$13,100,106. Net capital assets of the governmental activities totaled \$13,020,369 and the net capital assets of the business-type activities totaled \$79,737. The governmental activities depreciation charges for fiscal year 2017 totaled \$435,281 compared to the prior year's amount of \$413,125. **Table MDA-10** presents more detailed information on the District's net capital assets.

**Table MDA-10 – Net Capital Assets as of September 30, 2017**

Asset Category	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016, as restated	2017	2016, as restated
Land	\$ 964,016	\$ 948,412	\$ 8,100	\$ 8,100	\$ 972,116	\$ 956,512
Buildings	6,688,396	6,425,147	46,331	38,672	6,734,727	6,463,819
Infrastructure	3,653,388	3,523,083	-	-	3,653,388	3,523,083
Equipment	441,446	315,339	17,044	15,259	458,490	330,598
Construction in progress	1,273,123	1,219,908	8,262	6,444	1,281,385	1,226,352
<b>Total net capital assets</b>	<b>\$ 13,020,369</b>	<b>\$ 12,431,889</b>	<b>\$ 79,737</b>	<b>\$ 68,475</b>	<b>\$ 13,100,106</b>	<b>\$ 12,500,364</b>

Note: For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 96 through 100.

## 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-11** presents variances between revised budget amounts and actual expenditures in a Schedule of General Fund Budgetary Basis Revenues and Expenditures for the fiscal year ended September 30, 2017.

Table MDA-11 – Schedule of General Fund Budgetary Basis Revenues and Expenditures

	Original Budget	Revised Budget	Actual	Variance (Actual To Revised Budget)
<b>Revenues and Other Sources:</b>				
Taxes	\$ 6,964,241	\$ 7,305,986	\$ 7,277,687	\$ (28,299)
Licenses and permits	90,074	88,900	92,549	3,649
Fines and forfeits	146,045	160,565	167,385	6,820
Charges for services	80,512	75,507	81,371	5,864
Miscellaneous	106,148	100,921	146,208	45,287
Other sources	609,942	592,050	548,367	(43,683)
Bond proceeds	6,000	6,000	5,565	(435)
Fund balance released from restrictions	139,551	197,214	-	(197,214)
Interfund transfer from lottery and games	55,500	45,000	45,600	600
Interfund transfer - others	15,162	55,329	45,856	(9,473)
<b>Total revenues and other sources</b>	<b>8,213,175</b>	<b>8,627,472</b>	<b>8,410,588</b>	<b>(216,884)</b>
<b>Expenditures and Other Uses:</b>				
Governmental direction and support	788,837	779,341	759,769	19,572
Economic development and regulation	493,021	474,753	439,702	35,051
Public safety and justice	1,202,866	1,204,324	1,188,028	16,296
Public education system	2,012,348	2,090,401	2,058,236	32,165
Human support services	1,938,105	1,936,580	1,914,420	22,160
Public works	743,264	763,406	731,261	32,145
Repay bonds and interest	639,504	635,986	635,697	289
Other expenditures and uses	392,396	398,909	398,750	159
<b>Total expenditures and other uses</b>	<b>8,210,341</b>	<b>8,283,700</b>	<b>8,125,863</b>	<b>157,837</b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses -Budgetary Basis</b>	<b>\$ 2,834</b>	<b>\$ 343,772</b>	<b>\$ 284,725</b>	<b>\$ (59,047)</b>

### Revenues and Other Sources

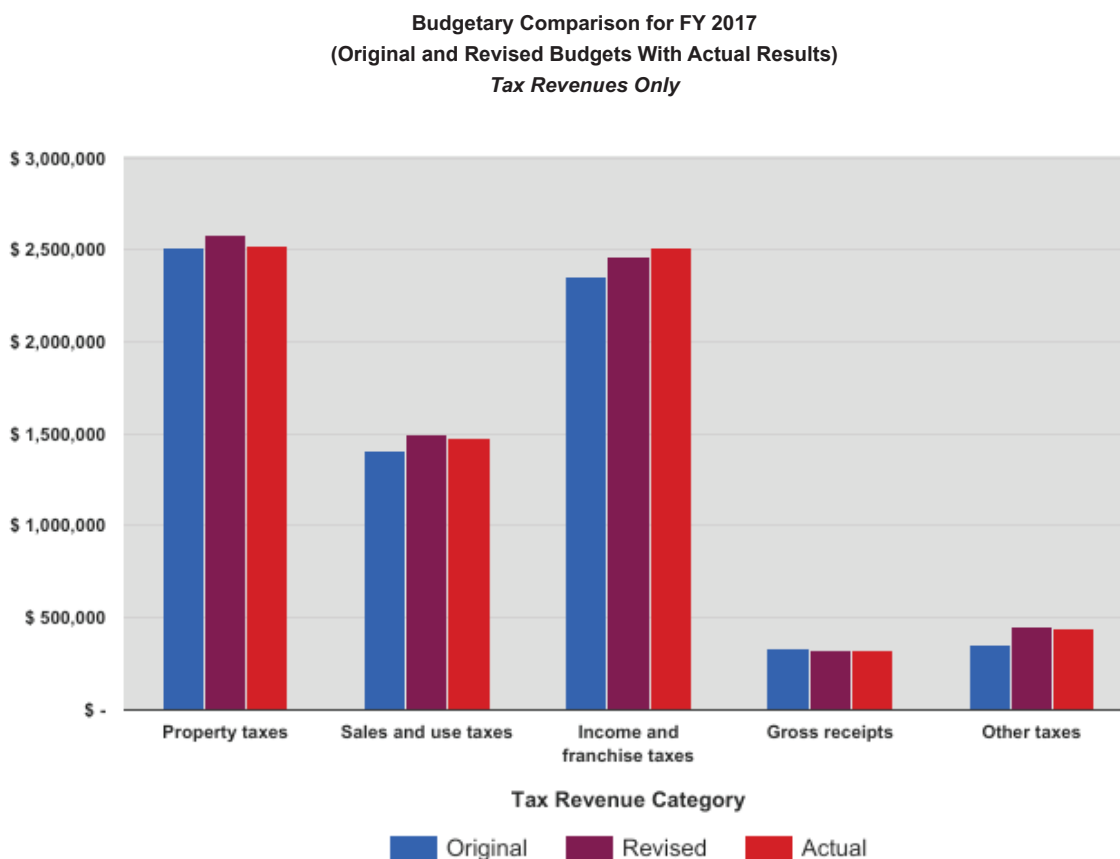
As presented in **Table MDA-11**, actual General Fund revenues and other sources were \$216,884 less than the revised budget. This variance was primarily due to the use of excess revenues instead of fund balance to fund certain operating activities.

**Fund Balance Released from Restrictions** - Fund balance released from restrictions is defined as the portion of assets that was 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 budgeted to help finance current year's operations. As shown in **Table MDA-11**, although budgeted, the District did not utilize fund balance to finance operations in fiscal year 2017 but rather relied on the city's revenues to meet operational needs.

Approximately 86.53% 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 2017.

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



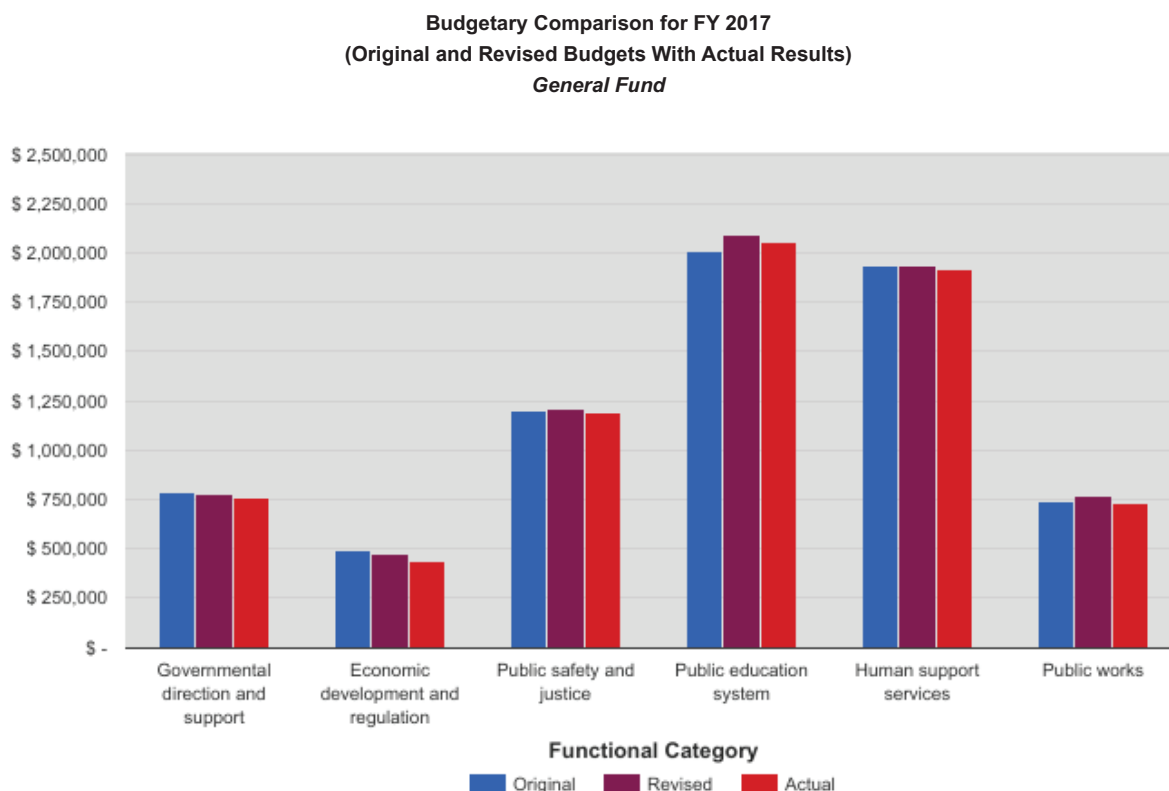
### Expenditures and Other Uses

Actual General Fund expenditures and other uses were \$157,837 less than the revised budget. As presented in **Table MDA-11**, this variance was primarily due to underspending in the areas of Economic Development and Regulation, Human Support Services, Public Education System, and Public Works.

Approximately 64% of the General Fund's expenditures were in the areas of Human Support Services, Public Education System, 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 2017.

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



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



## SUBSEQUENT EVENTS

### General Obligation Bonds

In December 2017, the District issued \$521,705 in General Obligation Bonds, Series 2017D. The proceeds of the Series 2017D Bonds will be used to: (1) pay or reimburse the District for capital project expenditures under the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Series 2017D Bonds. The interest rate pertaining to the Series 2017D Bonds range from 4.00% to 5.00%.

### General Obligation Direct Purchase Bonds

In November 2017, the District issued \$100,000 in Multimodal General Obligation Bonds, Series 2017B and \$99,935 in Multimodal General Obligation Refunding Bonds, Series 2017C Bonds. The proceeds of the Series 2017B Bonds will be used to pay or reimburse the District for capital project expenditures under the District's capital improvements plan. The proceeds of the 2017C Bonds will be used to refund the Income Tax Secured Revenue Refunding Bonds, Series 2011E and the Income Tax Secured Revenue Refunding Bonds, Series 2014B. The Series 2017B Multimodal General Obligation Bonds and Series 2017C Multimodal General Obligation Refunding Bonds were issued in the SIFMA Index Mode and

the Final Index Rate Mandatory Repurchase Date is December 1, 2022 for both series of bonds.

### District of Columbia Tax Increment Revenue Bond

In November 2017, the District issued \$3,000 in Tax Increment Revenue Bond, Series 2017. The proceeds of the Series 2017 Bonds will be used to reimburse the project developer for amounts expended to pay for a portion of eligible costs associated with Phase II of the mixed-use development project known as City Market at O Street. Interest on the Series 2017 Bond is 2.35% with a maturity date of November 1, 2027.

### General Obligation Bond Anticipation Notes

In December 2017, the District issued \$200,000 in General Obligation Bond Anticipation Notes, Series 2017 (Notes). The proceeds of the Series 2017 Notes will be used to finance capital project expenditures under the District's capital improvements plan. The Notes were issued in the Libor Index Mode as described in the Revolving Credit Agreement between the District of Columbia and U.S. Bank National Association and mature March 31, 2021.

These subsequent events are presented in more detail in Note 17, Subsequent Events, 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)

## 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 *Discretely Presented 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, 2017**  
**(With Comparative Totals at September 30, 2016, as restated)**  
**(\$000s)**

	Primary Government					Component Units
	Governmental Activities	Business-Type Activities	Totals			
			2017	2016, as restated		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,300,779	\$ 38,005	\$ 1,338,784	\$ 1,542,997	\$ 173,282	
Investments	-	-	-	-	215,512	
Due from federal government	499,108	1,125	500,233	459,630	-	
Taxes receivable, net	458,442	-	458,442	380,407	-	
Accounts receivable, net	255,217	38,292	293,509	282,651	16,237	
Other receivables	-	-	-	2,017	21,324	
Due from primary government	-	-	-	-	18,262	
Due from component units	10,602	-	10,602	25,793	-	
Internal balances	21,626	(21,626)	-	-	-	
Inventories	14,969	1,904	16,873	13,350	-	
Other current assets	6,532	2,899	9,431	7,160	22,413	
Derivative instrument assets	555	-	555	513	-	
Cash and cash equivalents (restricted)	1,631,384	442,730	2,074,114	1,975,634	158,948	
Investments (restricted)	90,525	1,939	92,464	125,368	356,174	
Other long-term assets	325,963	235	326,198	270,700	1,107,609	
Net pension assets	727,102	-	727,102	279,069	-	
Depreciable capital assets, net	10,783,230	63,375	10,846,605	10,317,499	781,534	
Non-depreciable capital assets	2,237,139	16,362	2,253,501	2,182,865	37,032	
<b>Total assets</b>	<b>18,363,173</b>	<b>585,240</b>	<b>18,948,413</b>	<b>17,865,653</b>	<b>2,908,327</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Derivative instrument - hedge	35,450	-	35,450	51,806	-	
Pension	327,365	-	327,365	401,591	-	
Advance refunding loss	6,057	-	6,057	5,747	13,536	
<b>Total deferred outflows of resources</b>	<b>368,872</b>	<b>-</b>	<b>368,872</b>	<b>459,144</b>	<b>13,536</b>	
<b>Total assets and deferred outflows of resources</b>	<b>18,732,045</b>	<b>585,240</b>	<b>19,317,285</b>	<b>18,324,797</b>	<b>2,921,863</b>	
<b>LIABILITIES</b>						
Accounts payable	775,528	48,175	823,703	802,044	54,795	
Compensation payable	156,131	9,100	165,231	143,830	12,478	
Due to primary government	-	-	-	-	10,602	
Due to component units	18,262	-	18,262	20,108	-	
Unearned revenues	266,425	39	266,464	227,192	14,473	
Accrued liabilities	333,535	8,241	341,776	291,845	15,870	
Accrued interest payable	161,788	-	161,788	147,329	-	
Other current liabilities	71,507	3,307	74,814	66,788	141,150	
Derivative instrument liabilities	35,450	-	35,450	51,806	-	
Long-term liabilities:						
Due within one year	613,428	464	613,892	565,305	42,224	
Due in more than one year	10,689,013	8,656	10,697,669	10,834,407	1,690,866	
<b>Total liabilities</b>	<b>13,121,067</b>	<b>77,982</b>	<b>13,199,049</b>	<b>13,150,654</b>	<b>1,982,458</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Capital lease gain	30,799	-	30,799	31,735	-	
Pension	704,576	-	704,576	228,581	-	
<b>Total deferred inflows of resources</b>	<b>735,375</b>	<b>-</b>	<b>735,375</b>	<b>260,316</b>	<b>-</b>	
<b>Total liabilities and deferred inflows of resources</b>	<b>13,856,442</b>	<b>77,982</b>	<b>13,934,424</b>	<b>13,410,970</b>	<b>1,982,458</b>	
<b>NET POSITION</b>						
Net investment in capital assets	3,204,028	79,700	3,283,728	2,903,782	445,634	
Restricted for:						
Expendable						
Pension	260,142	-	260,142	209,890	-	
Debt service	542,081	-	542,081	498,030	-	
Benefit payments	-	416,373	416,373	364,237	-	
Capital projects	53,710	-	53,710	68,324	-	
Grants and special purposes	133,129	-	133,129	160,142	-	
Budget reserves	40,063	-	40,063	21,664	-	
Purpose restriction	95,661	-	95,661	95,774	-	
Emergency reserves	413,901	-	413,901	387,065	-	
Other	-	-	-	23,860	196,312	
Nonexpendable	-	-	-	-	16,278	
Unrestricted	132,888	11,185	144,073	181,059	281,181	
<b>Total net position</b>	<b>\$ 4,875,603</b>	<b>\$ 507,258</b>	<b>\$ 5,382,861</b>	<b>\$ 4,913,827</b>	<b>\$ 939,405</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, 2017  
(With Comparative Totals for the Year Ended September 30, 2016, as restated)  
(\$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	Governmental Activities	Primary Government		Component Units, as restated
						Business-Type Activities	Totals	
							2017 2016, as restated	
<b>Governmental activities:</b>								
Governmental direction and support	\$ 1,085,592	\$ 81,036	\$ 59,525	\$ -	\$ (945,031)	\$ (945,031)	\$ (1,115,292)	
Economic development and regulation	591,861	180,307	69,482	1,295	(340,777)	(340,777)	(312,287)	
Public safety and justice	1,594,081	139,888	419,768	-	(1,034,425)	(1,034,425)	(1,198,451)	
Public education system	2,602,658	1,401	393,709	-	(2,207,548)	(2,207,548)	(1,910,304)	
Human support services	4,863,087	5,848	2,861,387	14,845	(1,981,007)	(1,981,007)	(1,809,959)	
Public works	758,431	185,842	28,950	203,611	(340,028)	(340,028)	(356,701)	
Public transportation	368,014	-	-	-	(368,014)	(368,014)	(359,097)	
Interest on long-term debt	446,621	-	-	-	(446,621)	(446,621)	(392,638)	
<b>Total governmental activities</b>	<b>12,310,345</b>	<b>594,322</b>	<b>3,832,821</b>	<b>219,751</b>	<b>(7,663,451)</b>	<b>(7,663,451)</b>	<b>(7,454,729)</b>	
<b>Business-type activities:</b>								
Lottery and games	173,241	218,732	-	-	\$ 45,491	45,491	53,301	
Unemployment compensation	143,942	-	23,776	-	(120,166)	(120,166)	(102,605)	
Not-for-profit hospital corporation	134,104	123,679	1,441	-	(8,984)	(8,984)	14,446	
<b>Total business-type activities</b>	<b>451,287</b>	<b>342,411</b>	<b>25,217</b>	<b>-</b>	<b>(83,659)</b>	<b>(83,659)</b>	<b>(34,858)</b>	
<b>Total primary government</b>	<b>\$ 12,761,632</b>	<b>\$ 936,733</b>	<b>\$ 3,858,038</b>	<b>\$ 219,751</b>	<b>(7,663,451)</b>	<b>(83,659)</b>	<b>(7,747,110)</b>	<b>(7,489,587)</b>
<b>Component units:</b>								
Health benefit exchange	\$ 31,491	\$ 4,376	\$ 26,789	\$ -				\$ (326)
Convention center	136,894	33,020	-	-				(103,874)
Housing finance	72,768	45,593	-	-				(27,175)
University	144,544	34,623	23,714	9,627				(76,580)
<b>Total component units</b>	<b>\$ 385,697</b>	<b>\$ 117,612</b>	<b>\$ 50,503</b>	<b>\$ 9,627</b>				<b>(207,955)</b>
<b>General revenues:</b>								
Taxes:								
Property taxes					2,651,688	-	2,651,688	2,504,617
Sales and use taxes					1,527,120	-	1,527,120	1,451,441
Income and franchise taxes					2,479,847	-	2,479,847	2,417,206
Gross receipts taxes					364,791	-	364,791	365,305
Other taxes					502,117	143,728	645,845	644,048
Investment earnings					9,288	9,645	18,933	20,133
Miscellaneous					527,920	-	527,920	510,330
Subsidy from primary government					-	-	-	-
Transfer in (out)					29,616	(29,616)	-	-
<b>Total general revenues and transfers</b>					<b>8,092,387</b>	<b>123,757</b>	<b>8,216,144</b>	<b>7,913,080</b>
<b>Change in net position</b>					<b>428,936</b>	<b>40,098</b>	<b>469,034</b>	<b>423,493</b>
Net position at October 1, as restated					<b>4,446,667</b>	<b>467,160</b>	<b>4,913,827</b>	<b>4,490,334</b>
Net position at September 30					<b>\$ 4,875,603</b>	<b>\$ 507,258</b>	<b>\$ 5,382,861</b>	<b>\$ 4,913,827</b>
								<b>\$ 939,405</b>

The accompanying notes are an integral part of this statement.



## Exhibit 2-a

District of Columbia  
Balance Sheet  
Governmental Funds  
September 30, 2017  
(With Comparative Totals at September 30, 2016)  
(\$000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds	
						2017	2016
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,300,779	\$ -	\$ -	\$ -	\$ -	\$ 1,300,779	\$ 1,493,011
Due from federal government	4,347	417,858	-	76,903	-	499,108	459,030
Taxes receivable, net	454,439	-	-	-	4,003	458,442	380,407
Accounts receivable, net	213,917	9,098	271	1,121	30,810	255,217	251,602
Due from component units	8,937	-	-	-	1,665	10,602	25,793
Due from other funds	810,478	21,819	5,663	-	15,376	853,336	383,974
Inventories	14,969	-	-	-	-	14,969	11,633
Other current assets	5,959	558	-	-	15	6,532	4,281
Cash and cash equivalents (restricted)	955,489	114,559	228,907	113,830	218,599	1,631,384	1,569,038
Investments (restricted)	36,179	-	2,147	-	52,199	90,525	123,032
Other long-term assets	99,125	98,793	95,014	14,033	-	306,965	270,438
<b>Total assets</b>	<b>\$ 3,904,618</b>	<b>\$ 662,685</b>	<b>\$ 332,002</b>	<b>\$ 205,887</b>	<b>\$ 322,667</b>	<b>\$ 5,427,859</b>	<b>\$ 4,972,239</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 408,471	\$ 115,505	\$ -	\$ 218,868	\$ 6,843	\$ 749,687	\$ 730,147
Compensation payable	143,198	11,184	-	1,638	111	156,131	136,106
Due to other funds	21,469	203,265	-	603,104	3,872	831,710	360,481
Due to component units	13,766	1,649	-	873	1,974	18,262	20,108
Unearned revenue	66,559	91,104	95,014	13,748	-	266,425	227,111
Accrued liabilities	237,665	95,760	-	-	110	333,535	282,759
Other current liabilities	60,068	-	-	9,188	2,251	71,507	63,999
<b>Total liabilities</b>	<b>951,196</b>	<b>518,467</b>	<b>95,014</b>	<b>847,419</b>	<b>15,161</b>	<b>2,427,257</b>	<b>1,820,711</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues	277,131	11,089	-	500	1,798	290,518	237,278
<b>FUND BALANCES</b>							
Nonspendable	14,969	-	-	-	-	14,969	11,633
Restricted	1,120,068	133,129	236,988	-	305,708	1,795,893	1,784,924
Committed	1,541,254	-	-	-	-	1,541,254	1,325,895
Assigned	-	-	-	-	-	-	20,668
Unassigned	-	-	-	(642,032)	-	(642,032)	(228,870)
<b>Total fund balances</b>	<b>2,676,291</b>	<b>133,129</b>	<b>236,988</b>	<b>(642,032)</b>	<b>305,708</b>	<b>2,710,084</b>	<b>2,914,250</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,904,618</b>	<b>\$ 662,685</b>	<b>\$ 332,002</b>	<b>\$ 205,887</b>	<b>\$ 322,667</b>	<b>\$ 5,427,859</b>	<b>\$ 4,972,239</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		13,020,369
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)	\$ 127,668	
Other General Fund unavailable revenues (Exhibit A-1)	149,463	
Unavailable revenues - Federal & Private Resources (Exhibit 2-a)	11,089	
Unavailable revenues - General Capital Improvements (Exhibit 2-a)	500	
Unavailable revenues - Nonmajor Funds (Exhibit 2-a)	1,798	290,518
Deferred inflows of resources - capital lease gain (Exhibit 1-a)		(30,799)
Deferred inflows of resources - pension (Exhibit 1-a)		(704,576)
Deferred outflows of resources - pension (Exhibit 1-a)		327,365
Net pension asset (Exhibit 1-a)		727,102
Retainage liability not to be paid with current resources		(25,843)
Advanced refunding loss (Exhibit 1-a)		6,057
Derivative instrument asset (Exhibit 1-a)		555
Other long-term receivables (Walter Reed)		19,000
Certain liabilities are not due and payable in the current period:		
General obligation bonds (Note 8, Table N27)	\$ 4,078,160	
Income tax secured revenue bonds (Note 8, Table N27)	4,030,695	
Tobacco settlement asset-backed bonds (Note 8, Table N27)	583,434	
TIF bonds (Note 8, Table N27)	92,686	
GARVEE (Note 8, Table N27)	90,170	
Ballpark bonds (Note 8, Table N27)	334,005	
QZAB (Note 8, Table N27)	3,155	
Accrued interest payable (Exhibit 1-a)	161,788	
Deed tax revenue bonds (Note 8, Table N27)	110,240	
PILOT revenue bonds and notes (Note 8, Table N27)	205,696	
Other long-term liabilities (Note 8, Table N27)	1,774,200	(11,464,229)
Net position of governmental activities		<u>\$ 4,875,603</u>

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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016)**

	(\$000s)					Total	
	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	2017	2016
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 2,571,517	\$ -	\$ -	\$ -	\$ 45,586	\$ 2,617,103	\$ 2,503,891
Sales and use taxes	1,477,254	-	-	-	49,866	1,527,120	1,451,441
Income and franchise taxes	2,512,522	-	-	-	-	2,512,522	2,464,330
Gross receipts taxes	323,262	-	-	-	41,529	364,791	365,305
Other taxes	444,103	-	58,014	-	-	502,117	498,161
Fines and forfeits	176,351	-	-	-	-	176,351	202,314
Licenses and permits	127,546	-	-	-	-	127,546	123,029
Charges for services	283,767	1,658	-	5,000	-	290,425	273,404
Investment earnings	9,238	1,308	10	189	3,294	14,039	11,601
Miscellaneous	381,097	37,719	10,409	936	40,231	470,392	457,163
Federal contributions	-	535,131	-	-	-	535,131	521,828
Operating grants	-	3,297,690	-	219,751	-	3,517,441	3,223,211
<b>Total revenues</b>	<b>8,306,657</b>	<b>3,873,506</b>	<b>68,433</b>	<b>225,876</b>	<b>180,506</b>	<b>12,654,978</b>	<b>12,095,678</b>
<b>EXPENDITURES</b>							
Current:							
Governmental direction and support	945,270	71,407	-	-	54,006	1,070,683	1,068,253
Economic development and regulation	382,625	71,129	124,488	-	-	578,242	560,365
Public safety and justice	1,188,291	407,853	-	-	-	1,596,144	1,671,804
Public education system	2,078,134	422,133	-	-	-	2,500,267	2,309,778
Human support services	1,949,127	2,865,062	-	-	-	4,814,189	4,514,647
Public works	358,929	31,812	-	-	-	390,741	365,437
Public transportation	368,014	-	-	-	-	368,014	359,097
Debt service:							
Principal	256,575	-	-	7,250	69,480	333,305	361,375
Interest	388,128	18,132	-	4,523	59,524	470,307	449,347
Fiscal charges	7,572	-	-	-	277	7,849	3,732
Capital outlay	-	-	-	1,192,270	40,734	1,233,004	1,107,239
<b>Total expenditures</b>	<b>7,922,665</b>	<b>3,887,528</b>	<b>124,488</b>	<b>1,204,043</b>	<b>224,021</b>	<b>13,362,745</b>	<b>12,771,074</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>383,992</b>	<b>(14,022)</b>	<b>(56,055)</b>	<b>(978,167)</b>	<b>(43,515)</b>	<b>(707,767)</b>	<b>(675,396)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt issuance	2,260	-	-	396,651	-	398,911	431,815
Refunding debt issuance	1,168,615	-	-	-	-	1,168,615	95,575
Premium on sale of bonds	123,053	-	-	54,349	-	177,402	84,235
Payment to refunded bond escrow agent	(1,287,378)	-	-	-	-	(1,287,378)	(95,120)
Equipment finance program	-	-	-	-	-	-	11,368
Transfers in	98,487	-	42,732	133,447	83,336	358,002	460,462
Transfers out	(202,278)	(12,991)	-	(19,442)	(77,691)	(312,402)	(407,175)
Sale of capital assets	451	-	-	-	-	451	15,800
<b>Total other financing sources (uses)</b>	<b>(96,790)</b>	<b>(12,991)</b>	<b>42,732</b>	<b>565,005</b>	<b>5,645</b>	<b>503,601</b>	<b>596,960</b>
<b>Net change in fund balances</b>	<b>287,202</b>	<b>(27,013)</b>	<b>(13,323)</b>	<b>(413,162)</b>	<b>(37,870)</b>	<b>(204,166)</b>	<b>(78,436)</b>
Fund balances at October 1	2,389,089	160,142	250,311	(228,870)	343,578	2,914,250	2,992,686
Fund balances at September 30	\$ 2,676,291	\$ 133,129	\$ 236,988	\$ (642,032)	\$ 305,708	\$ 2,710,084	\$ 2,914,250

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, 2017**  
**(\$000s)**

Net change in fund balances - total governmental funds \$ (204,166)

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)	975,708	
Depreciation expense (Note 5, Table N17)	(435,281)	
Capital asset additions (Note 5, Table N15)	55,557	
Transfers/dispositions (Note 5, Table N15)	<u>(7,504)</u>	
		588,480

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	290,518	
Prior year deferred inflows of resources	<u>(237,278)</u>	
		53,240

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	(1,892,564)	
Long-term liabilities reductions	<u>1,975,747</u>	
		83,183

Pension expense reported in the 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 assets - Police & Firefighters (Note 9, Table N53)	448,033	
Change in deferred outflows of resources - Teachers (Change in Note 9, Table N55)	(29,827)	
Change in deferred outflows of resources - Police & Firefighters (Change in Note 9, Table N55)	(44,399)	
Change in deferred inflows of resources - Teachers (Change in Note 9, Table N55)	(109,026)	
Change in deferred inflows of resources - Police & Firefighters (Change in Note 9, Table N55)	<u>(366,969)</u>	
		(102,188)

Other adjustments include:

Advance refunding loss amortization	310	
Realized capital lease gain	936	
Increase in long-term accrued interest liabilities	(14,459)	
Decrease in retainage payables	4,558	
Net gain on donated property	<u>19,000</u>	

10,345

Investment income from investment derivative instruments

42

Change in net position of governmental activities

\$ 428,936

*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, 2017  
(\$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 Other Sources:</b>												
Taxes:												
Property taxes	\$ 2,515,160	\$ 2,579,793	\$ 2,523,515	\$ (56,278)	\$ -	\$ -	\$ -	\$ -	\$ 2,515,160	\$ 2,579,793	\$ 2,523,515	\$ (56,278)
Sales and use taxes	1,408,495	1,495,204	1,476,680	(18,524)	-	-	-	-	1,408,495	1,495,204	1,476,680	(18,524)
Income and franchise taxes	2,357,020	2,461,789	2,512,522	50,733	-	-	-	-	2,357,020	2,461,789	2,512,522	50,733
Gross receipts and other taxes	683,566	769,200	764,970	(4,230)	-	-	-	-	683,566	769,200	764,970	(4,230)
Total taxes	6,964,241	7,305,986	7,277,687	(28,299)	-	-	-	-	6,964,241	7,305,986	7,277,687	(28,299)
Licenses and permits	90,074	88,900	92,549	3,649	-	-	-	-	90,074	88,900	92,549	3,649
Fines and forfeits	146,045	160,565	167,385	6,820	-	-	-	-	146,045	160,565	167,385	6,820
Charges for services	80,512	75,507	81,371	5,864	-	-	-	-	80,512	75,507	81,371	5,864
Miscellaneous	106,148	100,921	146,208	45,287	-	-	-	-	106,148	100,921	146,208	45,287
Other sources	609,942	592,050	548,367	(43,683)	-	-	-	-	609,942	592,050	548,367	(43,683)
Bond proceeds	6,000	6,000	5,565	(435)	-	-	-	-	6,000	6,000	5,565	(435)
Federal contributions	-	-	-	-	122,930	90,380	82,930	(7,450)	122,930	90,380	82,930	(7,450)
Operating grants	-	-	-	-	3,265,986	3,195,169	3,105,270	(89,899)	3,265,986	3,195,169	3,105,270	(89,899)
Fund balance released from restrictions	139,551	197,214	-	(197,214)	-	11,912	11,912	-	139,551	209,126	11,912	(197,214)
Interfund transfer-from lottery and games	55,500	45,000	45,600	600	-	-	-	-	55,500	45,000	45,600	600
Interfund transfer-others	15,162	55,329	45,856	(9,473)	-	-	-	-	15,162	55,329	45,856	(9,473)
Total revenues and other sources	8,213,175	8,627,472	8,410,588	(216,884)	3,388,916	3,297,461	3,200,112	(97,349)	11,602,091	11,924,933	11,610,700	(314,233)
<b>Expenditures and Other Uses:</b>												
Governmental direction and support	788,837	779,341	759,769	19,572	30,225	29,023	27,746	1,277	819,062	808,364	787,515	20,849
Economic development and regulation	493,021	474,753	439,702	35,051	93,240	75,772	71,636	4,136	586,261	550,525	511,338	39,187
Public safety and justice	1,202,866	1,204,324	1,188,028	16,296	162,668	123,241	121,892	1,349	1,365,534	1,327,565	1,309,920	17,645
Public education system	2,012,348	1,807,482	1,775,317	32,165	348,780	315,489	252,426	63,063	2,361,128	2,122,971	2,027,743	95,228
Public education AY18 expenditure	-	282,919	282,919	-	-	-	-	-	-	282,919	282,919	-
Human support services	1,938,105	1,936,580	1,914,420	22,160	2,661,214	2,658,976	2,632,057	26,919	4,599,319	4,595,556	4,546,477	49,079
Public works	743,264	763,406	731,261	32,145	39,632	32,286	31,811	475	782,896	795,692	763,072	32,620
Workforce investments	18,025	-	-	-	-	-	-	-	18,025	-	-	-
Inaugural expenses	-	-	-	-	-	27,300	27,300	-	-	27,300	27,300	-
Wilson building	4,369	4,369	4,210	159	-	-	-	-	4,369	4,369	4,210	159
Repayment of loans and interest	624,419	622,151	622,151	-	18,262	18,262	18,132	130	642,681	640,413	640,283	130
Repayment of revenue bonds	7,835	7,835	7,825	10	-	-	-	-	7,835	7,835	7,825	10
Debt service - issuance costs	6,000	6,000	5,721	279	-	-	-	-	6,000	6,000	5,721	279
Interest expense on short-term borrowing	1,250	-	-	-	-	-	-	-	1,250	-	-	-
Settlements and judgments fund	21,292	21,292	21,292	-	-	-	-	-	21,292	21,292	21,292	-
Convention center transfer	122,286	141,801	141,801	-	-	-	-	-	122,286	141,801	141,801	-
Highway transportation fund	24,754	26,099	26,099	-	-	-	-	-	24,754	26,099	26,099	-
Emergency planning and security fund	-	-	-	-	34,895	17,112	17,112	-	34,895	17,112	17,112	-
Operating lease-equipment	29,381	27,445	27,445	-	-	-	-	-	29,381	27,445	27,445	-
Pay-as-you-go capital fund	120,542	133,380	133,380	-	-	-	-	-	120,542	133,380	133,380	-
Schools modernization fund	13,523	13,523	13,523	-	-	-	-	-	13,523	13,523	13,523	-
D.C. retiree health contribution	31,000	31,000	31,000	-	-	-	-	-	31,000	31,000	31,000	-
Non-departmental	7,224	-	-	-	-	-	-	-	7,224	-	-	-
Total expenditures and other uses	8,210,341	8,283,700	8,125,863	157,837	3,388,916	3,297,461	3,200,112	97,349	11,599,257	11,581,161	11,325,975	255,186
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	<b>\$ 2,834</b>	<b>\$ 343,772</b>	<b>\$ 284,725</b>	<b>\$ (59,047)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,834</b>	<b>\$ 343,772</b>	<b>\$ 284,725</b>	<b>\$ (59,047)</b>

The accompanying notes are an integral part of this statement.



## Exhibit 3-a

District of Columbia  
Statement of Net Position  
Proprietary Funds  
September 30, 2017  
(With Comparative Totals at September 30, 2016, as restated)  
(\$000s)

				Totals	
	Lottery and Games	Unemployment Compensation	Not-for-Profit Hospital Corporation	2017	2016, as restated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 12,150	\$ -	\$ 25,855	\$ 38,005	\$ 49,986
Due from federal government	-	1,125	-	1,125	600
Accounts receivable, net	3,859	10,193	24,240	38,292	31,049
Due from other funds	-	430	-	430	419
Inventories	-	-	1,904	1,904	1,717
Other current assets	2	-	2,897	2,899	2,879
Cash and cash equivalents (restricted)	-	442,730	-	442,730	406,596
Total current assets	16,011	454,478	54,896	525,385	493,246
Noncurrent assets:					
Investments (restricted)	1,939	-	-	1,939	2,336
Depreciable capital assets, net	350	-	63,025	63,375	14,545
Non-depreciable capital assets	-	-	16,362	16,362	53,930
Other	-	-	235	235	262
Total noncurrent assets	2,289	-	79,622	81,911	71,073
<b>Total assets</b>	<b>18,300</b>	<b>454,478</b>	<b>134,518</b>	<b>607,296</b>	<b>564,319</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	2,746	35,170	10,259	48,175	41,496
Accrued compensated absences	292	-	8,808	9,100	7,724
Due to other funds	-	22,056	-	22,056	21,895
Unearned revenues	39	-	-	39	81
Accrued liabilities	8,241	-	-	8,241	9,086
Other current liabilities	-	-	3,307	3,307	2,789
Long-term liabilities due within one year	428	-	36	464	927
Total current liabilities	11,746	57,226	22,410	91,382	83,998
Noncurrent liabilities:					
Long-term liabilities due in more than one year	1,957	-	6,699	8,656	13,161
Total noncurrent liabilities	1,957	-	6,699	8,656	13,161
<b>Total liabilities</b>	<b>13,703</b>	<b>57,226</b>	<b>29,109</b>	<b>100,038</b>	<b>97,159</b>
<b>NET POSITION</b>					
Net investment in capital assets	350	-	79,350	79,700	68,319
Restricted - expendable	-	397,252	19,121	416,373	388,097
Unrestricted	4,247	-	6,938	11,185	10,744
<b>Total net position</b>	<b>\$ 4,597</b>	<b>\$ 397,252</b>	<b>\$ 105,409</b>	<b>\$ 507,258</b>	<b>\$ 467,160</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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016, as restated)**  
**(\$000s)**

				<b>Totals</b>	
	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Not-for-Profit Hospital Corporation</b>	<b>2017</b>	<b>2016, as restated</b>
<b>Operating revenues:</b>					
Employer taxes	\$ -	\$ 143,728	\$ -	\$ 143,728	\$ 145,887
Charges for services	218,732	-	123,679	342,411	346,805
Benefit contributions	-	23,776	-	23,776	12,028
Operating grants and contributions	-	-	1,441	1,441	1,300
<b>Total operating revenues</b>	<b>218,732</b>	<b>167,504</b>	<b>125,120</b>	<b>511,356</b>	<b>506,020</b>
<b>Operating expenses:</b>					
Benefits	-	143,942	14,900	158,842	128,782
Prizes and other expenses	140,408	-	-	140,408	141,310
Personnel services	7,030	-	56,172	63,202	61,640
Supplies	-	-	14,776	14,776	15,466
Utilities	-	-	3,019	3,019	2,808
Insurance	-	-	1,796	1,796	1,813
Rent	-	-	876	876	785
Repairs and maintenance	-	-	1,931	1,931	1,296
Other expenses	-	-	911	911	1,172
Contractual services	25,684	-	30,241	55,925	52,243
Depreciation	119	-	9,482	9,601	7,789
<b>Total operating expenses</b>	<b>173,241</b>	<b>143,942</b>	<b>134,104</b>	<b>451,287</b>	<b>415,104</b>
<b>Operating income (loss)</b>	<b>45,491</b>	<b>23,562</b>	<b>(8,984)</b>	<b>60,069</b>	<b>90,916</b>
<b>Non-operating revenues:</b>					
Interest and investment income	192	9,453	-	9,645	8,532
<b>Total nonoperating revenues</b>	<b>192</b>	<b>9,453</b>	<b>-</b>	<b>9,645</b>	<b>8,532</b>
<b>Income (loss) before transfers</b>	<b>45,683</b>	<b>33,015</b>	<b>(8,984)</b>	<b>69,714</b>	<b>99,448</b>
Transfer in (out)	(45,600)	-	15,984	(29,616)	(23,174)
<b>Change in net position</b>	<b>83</b>	<b>33,015</b>	<b>7,000</b>	<b>40,098</b>	<b>76,274</b>
<b>Net position at October 1, as restated</b>	<b>4,514</b>	<b>364,237</b>	<b>98,409</b>	<b>467,160</b>	<b>390,886</b>
<b>Net position at September 30</b>	<b>\$ 4,597</b>	<b>\$ 397,252</b>	<b>\$ 105,409</b>	<b>\$ 507,258</b>	<b>\$ 467,160</b>

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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016, as restated)**  
**(\$000s)**

	Lottery and Games	Unemployment Compensation	Not-for-Profit Hospital Corporation	Totals	
				2017	2016, as restated
<b>Cash flows from operating activities:</b>					
Cash receipts from customers/employers	\$ 218,386	\$ 166,682	\$ 100,275	\$ 485,343	\$ 498,707
Other cash receipts	215	232	13,738	14,185	80
Cash payments to vendors	(21,360)	-	(51,163)	(72,523)	(72,745)
Cash payments to employees	(6,976)	-	(69,747)	(76,723)	(77,568)
Cash payments to claimants	-	(140,233)	-	(140,233)	(116,286)
Other cash payments, including prizes	(144,943)	-	-	(144,943)	(137,994)
Net cash provided (used) by operating activities	45,322	26,681	(6,897)	65,106	94,194
<b>Cash flows from noncapital financing activities:</b>					
Interfund transfers out	(45,600)	-	-	(45,600)	(43,287)
Net cash used in noncapital financing activities	(45,600)	-	-	(45,600)	(43,287)
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(139)	-	(20,723)	(20,862)	(13,855)
Interfund transfers in	-	-	15,984	15,984	20,113
Repayment of capital lease obligation	-	-	(120)	(120)	(135)
Net cash used in capital and related financing activities	(139)	-	(4,859)	(4,998)	6,123
<b>Cash flows from investing activities:</b>					
Receipts of interest and dividends	192	9,453	-	9,645	8,532
Net cash provided by investing activities	192	9,453	-	9,645	8,532
<b>Net increase (decrease) in cash and cash equivalents</b>	(225)	36,134	(11,756)	24,153	65,562
<b>Cash and cash equivalents at October 1, as restated</b>	12,375	406,596	37,611	456,582	391,020
<b>Cash and cash equivalents at September 30</b>	<u>\$ 12,150</u>	<u>\$ 442,730</u>	<u>\$ 25,855</u>	<u>\$ 480,735</u>	<u>\$ 456,582</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 45,491	\$ 23,562	\$ (8,984)	\$ 60,069	\$ 90,917
Depreciation	119	-	9,482	9,601	7,789
Decrease (increase) in assets:					
Accounts receivable	(89)	(297)	(6,868)	(7,254)	(4,418)
Other current assets	2	(525)	(209)	(732)	(996)
Increase (decrease) in liabilities:					
Accounts payable	632	3,941	2,268	6,841	(6,035)
Accrued liabilities	(499)	-	1,325	826	1,116
Unearned revenues	(42)	-	-	(42)	47
Other current liabilities	(292)	-	(3,911)	(4,203)	5,774
<b>Net cash provided (used) by operating activities:</b>	<u>\$ 45,322</u>	<u>\$ 26,681</u>	<u>\$ (6,897)</u>	<u>\$ 65,106</u>	<u>\$ 94,194</u>

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, 2017  
(\$000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 170,274	\$ -	\$ 68,991
Investments:			
Equities	5,288,773	264,172	-
Fixed income securities	2,557,696	264,347	-
Real estate	614,886	-	-
Private equity	470,532	-	-
Commodities	42,621	-	-
Money market funds	-	5,434	-
Accounts receivable	-	692	-
Due from federal government	1,588	-	21,336
Benefit contributions receivable	10,198	-	-
Other receivables	-	-	11,143
Other assets	55,504	-	-
Total assets	9,212,072	534,645	\$ 101,470
<b>LIABILITIES</b>			
Accounts payable	24,514	201	\$ 1,602
Other current liabilities	66,235	-	99,868
Total liabilities	90,749	201	\$ 101,470
<b>NET POSITION</b>			
Net position restricted for pensions, OPEB benefits and other purposes	\$ 9,121,323	\$ 534,444	

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, 2017**  
 (\$000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 233,412	\$ -
Plan members	68,309	69,928
Total contributions	301,721	69,928
Investment earnings:		
Net increase in fair value of investments	1,012,390	44,372
Other loss	(1,288)	-
Interest and dividends	54,031	7,941
Total investment gain	1,065,133	52,313
Less - investment expenses	(19,753)	(2,138)
Net gain from investing activities	1,045,380	50,175
Other Income	3,375	-
<b>Total additions</b>	1,350,476	120,103
<b>DEDUCTIONS</b>		
Benefits	185,311	-
Administrative expenses	17,863	1,314
Distributions to participants	-	43,609
<b>Total deductions</b>	203,174	44,923
<b>Change in net position</b>	1,147,302	75,180
Net position at October 1	7,974,021	459,264
Net position at September 30	\$ 9,121,323	\$ 534,444

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, 2017  
(With Comparative Totals at September 30, 2016, as restated)  
(\$000s)

	Health Benefit Exchange Authority	Washington Convention and Sports Authority	Housing Finance Agency	University of the District of Columbia	Totals	
					2017	2016, as restated
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 78,720	\$ 13,285	\$ 52,442	\$ 28,835	\$ 173,282	\$ 144,060
Investments	-	176,323	3,633	35,556	215,512	158,445
Receivables, net:						
Accounts	811	3,851	1,432	10,143	16,237	16,712
Other	7,183	644	9,021	4,476	21,324	18,706
Due from primary government	642	12,909	1,432	3,279	18,262	20,108
Other current assets	-	988	20,774	651	22,413	69,161
Restricted cash	24,591	9,690	121,524	3,143	158,948	176,914
Restricted investments	-	230,635	101,461	24,078	356,174	371,766
Total current assets	111,947	448,325	311,719	110,161	982,152	975,872
<b>Noncurrent assets:</b>						
Loans receivable	-	-	1,061,386	-	1,061,386	984,210
Other	-	46,000	116	107	46,223	47,304
Total long-term assets	-	46,000	1,061,502	107	1,107,609	1,031,514
<b>Capital assets, net</b>						
Property and equipment	85,620	498,155	1,848	195,911	781,534	786,841
Non-depreciable capital assets	-	21,206	573	15,253	37,032	21,571
<b>Total assets</b>	<b>197,567</b>	<b>1,013,686</b>	<b>1,375,642</b>	<b>321,432</b>	<b>2,908,327</b>	<b>2,815,798</b>
<b>Deferred outflows of resources</b>						
	-	13,320	216	-	13,536	14,729
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Payables:						
Accounts	34,060	12,126	288	8,321	54,795	33,657
Compensation	415	1,259	279	10,525	12,478	9,651
Due to primary government	726	2,991	-	6,885	10,602	25,793
Accrued liabilities	444	15,419	-	7	15,870	16,614
Unearned revenue	-	3,394	-	11,079	14,473	14,807
Current maturities	-	20,655	21,569	-	42,224	88,568
Other current liabilities	272	8,996	128,110	3,772	141,150	151,035
Total current liabilities	35,917	64,840	150,246	40,589	291,592	340,125
<b>Noncurrent liabilities:</b>						
Long-term debt:						
Bonds payable	-	572,276	1,112,409	-	1,684,685	1,665,552
Other long-term liabilities	-	6,181	-	-	6,181	4,919
Total long-term liabilities	-	578,457	1,112,409	-	1,690,866	1,670,471
<b>Total liabilities</b>	<b>35,917</b>	<b>643,297</b>	<b>1,262,655</b>	<b>40,589</b>	<b>1,982,458</b>	<b>2,010,596</b>
<b>NET POSITION</b>						
Net investment in capital assets	85,620	146,870	2,421	210,723	445,634	420,422
Restricted - expendable	-	150,821	36,502	8,989	196,312	205,496
Restricted - nonexpendable	-	-	-	16,278	16,278	15,866
Unrestricted	76,030	86,018	74,280	44,853	281,181	178,147
<b>Total net position</b>	<b>\$ 161,650</b>	<b>\$ 383,709</b>	<b>\$ 113,203</b>	<b>\$ 280,843</b>	<b>\$ 939,405</b>	<b>\$ 819,931</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, 2017  
(With Comparative Totals for the Year Ended September 30, 2016, as restated)  
(\$000s)

	Health Benefit Exchange Authority	Washington Convention and Sports Authority	Housing Finance Agency	University of the District of Columbia	Totals	
					2017	2016, as restated
<b>Expenses</b>	\$ 31,491	\$ 136,894	\$ 72,768	\$ 144,544	\$ 385,697	\$ 377,221
<b>Program revenues:</b>						
Charges for services, fees, fines & forfeits	4,376	33,020	45,593	34,623	117,612	102,251
Operating grants and contributions	26,789	-	-	23,714	50,503	57,342
Capital grants and contributions	-	-	-	9,627	9,627	15,357
<b>Net expense</b>	(326)	(103,874)	(27,175)	(76,580)	(207,955)	(202,271)
<b>General revenues:</b>						
Investment earnings	38	2,092	5,133	6,356	13,619	8,744
Miscellaneous	32,261	23,842	30,509	11,399	98,011	98,178
Subsidy from primary government	-	138,128	-	77,671	215,799	195,493
<b>Total general revenues</b>	32,299	164,062	35,642	95,426	327,429	302,415
<b>Change in net position</b>	31,973	60,188	8,467	18,846	119,474	100,144
<b>Net position at October 1, as restated</b>	129,677	323,521	104,736	261,997	819,931	719,787
<b>Net position at September 30</b>	\$ 161,650	\$ 383,709	\$ 113,203	\$ 280,843	\$ 939,405	\$ 819,931

The accompanying notes are an integral part of this statement.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2017

(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 Home Rule Act. 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

#### Primary Government

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.

#### Discretely Presented Component Units

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. 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 four discretely presented component units in its reporting entity: Health Benefit Exchange Authority, Housing Finance Agency, 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 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.)
- **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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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  
<https://www.dchfa.org>

### **University of the District of Columbia**

President  
Van Ness Campus  
4200 Connecticut Avenue, N.W.  
Washington, DC 20008  
<https://www.udc.edu>

### **Washington Convention and Sports Authority**

t/a Events DC  
General Manager  
801 Mount Vernon Place, N.W.  
Washington, DC 20001  
<https://eventsdc.com>

### **Blended Component Units**

Entities which meet any one of the following characteristics, in addition to the criteria for inclusion as a component unit described above, are 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.

- The organization is a not-for-profit corporation, in which the District is the sole corporate member.

### **District of Columbia Tobacco Settlement Financing Corporation**

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.

### **Not-for-Profit Hospital Corporation**

The Not-for-Profit Hospital Corporation (d/b/a United Medical Center), also referred to as "Corporation" or "hospital" was established pursuant to the Not-for-Profit Hospital Corporation Establishment Emergency Amendment Act of 2010, effective July 7, 2010 (D.C. Act 18-476; 57 DCR 6937) to provide community-centered health care east of the Anacostia River. The District of Columbia government is the sole owner of the Not-for-Profit Hospital Corporation; therefore, the District has assumed the obligation to provide financial support to the Corporation to help sustain the hospital's operations, creating a financial benefit/burden relationship between the District and the Corporation. 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. In January 2016, the Governmental Accounting Standard Board (GASB) issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which establishes an additional criterion requiring blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Not-for-Profit Hospital Corporation is a blended component unit pursuant to GASB Statement No. 80 because: (a) it is organized as a not-for-profit corporation and (b) the District is its sole owner. For this reason, the comparative summary information was restated as shown in Note 1Y on page 77.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Audited financial statements of each blended component unit are available at the following locations:

**District of Columbia Tobacco Settlement Financing Corporation**

Office of the Chief Financial Officer  
Office of Finance and Treasury  
1101 4th Street, S.W., Suite 800  
Washington, DC 20024

**Not-for-Profit Hospital Corporation**

d/b/a United Medical Center  
Chief Executive Officer  
1310 Southern Avenue, S.E.  
Washington, DC 20032

### 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, because the Mayor, with the consent and advice of the Council, appoints a majority of the voting members of these organizations' governing boards. However, the District's accountability for these organizations does not extend beyond these appointments.

### Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain: (a) an ongoing financial interest or (b) an ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the 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 13 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 forfeits; 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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

properly included among program revenues are reported as general revenues. The District also reports depreciation expense (the cost of “using up” capital assets) in the Statement of Activities.

**Fund Financial Statements** – Fund accounting is used to demonstrate legal compliance and to segregate transactions related to certain District functions or activities. Each fund represents a separate accounting entity and the transactions in each fund are summarized in a separate set of self-balancing accounts which include assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenses/ expenditures.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements.

**Governmental Funds** are used to account for all of the District’s general activities. The acquisition, use and balance of the District’s expendable financial resources and the related liabilities and deferred inflows of resources (except those accounted for in the proprietary funds and the discretely presented component units) are accounted for in the governmental funds.

The District reports the following major governmental funds:

- **General Fund** – used to account for all financial resources not accounted for in other funds.
- **Federal and Private Resources Fund** – used to account for proceeds of intergovernmental grants and other federal payments, private grants and private contributions that are legally restricted to expenditure for specified purposes.
- **Housing Production Trust Fund** – used to account for the financial resources which provide financial assistance to a variety of affordable housing programs and opportunities across the District such as: (a) initiatives to build affordable housing; (b) homeownership opportunities for low income families; and (c) preservation of existing federally assisted housing. Subsidies from the General Fund and dedicated local tax revenues, such as deed transfers and recordations, are the main sources of revenue for the Housing Production Trust Fund. This 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) Payment in Lieu of Taxes (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 three 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 Office of Lottery and Charitable Games.
- **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 established 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.
- **Not-for-Profit Hospital Corporation** – used to account for revenues from inpatient, outpatient, psychiatric, skilled nursing, and emergency care services for residents of the District, expenses and capital outlays. It is a separate legal entity blended with the proprietary funds of the primary government for financial reporting purposes.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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 account for refundable deposits required of various licensees and monies held in escrow as an agent for individuals, private organizations or other governments. Those resources which are held by the District in a purely custodial capacity 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, 2016, from which such summarized information was derived.

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are prepared in accordance with GAAP applicable to state and local governmental entities as established by the Governmental Accounting Standards Board (GASB).

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Therefore, the Statement of Net Position reports all assets, including receivables regardless of when collected, and capital assets, such as heavy trucks and infrastructure (i.e., highways and bridges), deferred outflows of resources, all liabilities

regardless of when payment is due, deferred inflows 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 expense 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.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Proprietary Funds, Pension and Other Postemployment Benefits (OPEB) Trust Funds, Private Purpose Trust Fund, 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 property the values of which were assessed as of the preceding January 1. Taxes levied are due and collectible in two equal installments on March 31 and September 15. After these dates, the tax bills become 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, 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 Reporting Temporary Act of 2011, effective February 24, 2012 (D.C. Law 19-91; 58 DCR 11209), 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), 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 forfeits 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.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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. Congress then actively approves 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 Local Budget Act and Federal Portion Budget Request Act ("appropriations acts") comprise the District's appropriation authority after approval by Congress, and authorize District government expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education System. In general, after approval by Congress of the District's appropriation, 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 § 47-396.02, 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.

Pursuant to Section 446 of the Home Rule Act (D.C. Code § 1-204.46 and the Reprogramming Policy Act of 1980, as amended (D.C. 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 (appropriation title) level. 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 Antideficiency Act (31 U.S.C. §§ 1341, 1342, 1349, 1351, 1511-1519); the District of Columbia Anti-Deficiency Act (D.C. Code § 47-355.01 et seq.); and Section 446 of the Home Rule Act (D.C. 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 acts specifically identify authorized expenditures but do 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.

The District budgets for the General Fund and 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 76.
- *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 76.

#### 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-

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

appropriated and re-encumbered as part of the subsequent year's budget. However, encumbered amounts do not lapse at year-end in the Capital Projects Fund or the Special Revenue Fund.

Encumbered amounts at year-end have been included within the fund balances in **Table N60a – Schedule of FY 2017 Fund Balance** found on page 129.

### 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 Deposits and Investment Act of 2006 (D.C. Code §§ 47-351.01 and 47-351.08), and the District's Investment Policy, as adopted in November 2008. As of September 30, 2017, the District invested primarily in securities backed by the U.S. government which included obligations of Government Sponsored Entities (GSEs) that have the explicit and implicit guarantee of the U.S. federal government. Such investments are considered to be cash equivalents if they mature within 90 days after the date of purchase. The Pension Trust Funds are authorized to invest in fixed income, equity securities and other types of investments. Also, the Private Purpose Trust Fund and Other Postemployment Benefits Fund are 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### H. RESTRICTED ASSETS

Certain governmental and proprietary fund assets, some assets reported by the component units, and all fiduciary fund assets are restricted as to use by legal or contractual requirements. Any excess of restricted assets, deferred outflows of resources over liabilities, deferred inflows of resources from restricted assets is reported as part of the restricted net position in the government-wide, proprietary, and fiduciary financial statements and as restricted fund balance in the governmental fund financial statements, to indicate the portion of the net position or fund balance that is available for restricted purposes only. Restricted assets also include cash deposited in bank accounts legally restricted for certain purposes such as the payment of bond principal and interest.

### I. PREPAID ITEMS

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

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

### K. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

Interfund transactions are categorized as: (a) revenue and expenditure/expense 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 buildings, 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.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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

#### Debt Limits/Limitations on Borrowing

Pursuant to Section 603 of the Home Rule 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 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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

### Capital Appreciation Bonds

Historically, the District has issued Capital Appreciation Bonds (CABs), which are municipal securities on which the investment return on the initial principal amount is reinvested at a stated compounded interest rate until maturity. At maturity, the investor receives a single payment (maturity value) representing both the initial principal amount and the total investment return. CABs are distinct from traditional zero coupon bonds because the investment return is in the form of compounded interest rather than accreted original issue discount. Typically, only the initial principal amount of a CAB is to be counted against the debt limit of the municipal issuer.

The District began paying principal on its 2002 Mandarin TIF CABs on July 1, 2002, and will make such payments annually until July 1, 2022. 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 scheduled principal payment dates for the 2006 Tobacco CABs 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.

### Reporting Long-Term Liabilities

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.

### Q. DEFERRED INFLOWS OF RESOURCES

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

### R. ADOPTION OF NEW ACCOUNTING STANDARDS

During the fiscal year ended September 30, 2017, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, applies to OPEB plans (defined benefit and defined contribution) which are administered through trusts that meet the Statement's specific criteria. This Statement also establishes financial reporting requirements for assets accumulated to provide defined benefit OPEB through plans that are not administered through trusts that meet the specific criteria in the Statement.
- Statement No. 77, *Tax Abatement Disclosures*, 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 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: (1) 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; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.
- 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*. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of Statement 68. Statement 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

- Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, 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*.
- 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.

Implementation of Statement Nos. 74, 77, 78 and 82 had no material impact on the District's fiscal year 2017 financial statements. However, implementation of Statement No. 80 materially impacted the financial statements presentation for that year.

More detailed information regarding the requirements contained in these GASB 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 the following new accounting standards issued by GASB by the required effective dates:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 expenditures/expenses. 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.

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. 81, *Irrevocable Split-Interest Agreements*, requires 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. This Statement 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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2018, the District's fiscal year 2019.

- Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2018, the District's fiscal year 2020.

- Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits including pensions and other postemployment benefits (OPEB).

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. 86, *Certain Debt Extinguishment Issues*, establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in-substance, regardless of how the cash and other monetary assets were acquired.

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. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2019, the District's fiscal year 2021.

The District has not determined the impact, if any, that the implementation of Statement Nos. 81, 83, 84, 85, and 86 will have on its financial statements. Statement Nos. 75 and 87, however, are anticipated to have a material impact on its financial statements.

More detailed information regarding the requirements contained in these GASB 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 fund, and fiduciary fund statements, and "Fund Balance" in the 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 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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 Section 450A of the Home Rule Act (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, 2017, the District's fund balance included the following categories (see **Table N60a** on page 129).

### **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 2017 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 may expend the funds. Other revenues include but not limited to resources restricted for Workers' Compensation Program, 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



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Act of 2014, effective February 26, 2015 (D.C. Law 20-155; 62 DCR 3601).

*Subsequent Years Expenditures* – This portion of the fund balance represents the amount to be used to finance certain policy initiatives and other expenditures included in the fiscal year 2018 budget approved by the District Council. During fiscal year 2017, the Mayor and the Council committed increases in quarterly revenue estimates and 50% of the District-wide local fund underspending for workforce investment initiatives. Moreover, additional resources had to be set aside for increases in the bond escrow, emergency cash and contingency cash reserves, which have not been historically budgeted. As a result of these funding requirements, this portion of fund balance was presented net of the overcommitted amount of approximately \$39 million. Increase in the quarterly revenues forecast of December 2017 is sufficient to restore an overcommitment of \$39 million.

*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., resources collected and administered by the Office of Finance and Treasury's Central Collection Unit (CCU), 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, and resources committed to Renewable Energy Development Fund.

### 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, 2017 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 Section 450A of the Home Rule Act (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.

#### 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



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 from the District Retirement Funds' fiduciary net position have been determined on the same basis as they are reported by DCRB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Further information regarding the District Retirement Funds is presented in Note 9 on page 119.

### **Other Postemployment Benefits (OPEB)**

In addition to the pension benefits described in Note 9 and pursuant to D.C. Code § 1-621.13, employees hired after September 30, 1987, who retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code § 1-622.16, these employees may convert their group life insurance to individual life insurance. The expense of providing such benefits to employees hired prior to October 1, 1987, is paid by the federal government and the District has no liability for these costs. However, the District provides health and life

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

insurance benefits to retirees first employed by the District after September 30, 1987.

The District utilizes a graded contribution schedule whereby District contributions to the plan are based on the employee's years of creditable District service. District contributions are limited such that the District pays no more than 75% of the cost of health insurance, and 30% of the cost of life insurance for eligible retirees. Additional information regarding the OPEB contribution policy, including the District's premium for retiree's spouse and dependent health insurance coverage, is presented in Note 10, found on pages 126 through 128.

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, 2017, there were 1,498 OPEB Plan participants receiving such benefits. The participants were comprised of 1,156 teachers, police, and firefighters, and 342 general District retirees. During fiscal year 2017, \$13.2 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.

### X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

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

	(Dollars in \$000s)	
	GENERAL FUND	FEDERAL AND PRIVATE RESOURCES
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	\$ 284,725	\$ -
<b>Basis differences:</b>		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	3,337	(2)
Transfers/reclassifications	(860)	(15,099)
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	-	(11,912)
Federal pass-through contributions (D.C. Federal Pension Fund and SNAP)*	-	651,561
Federal pass-through expenditures (D.C. Federal Pension Fund and SNAP)*	-	(651,561)
<b>EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS</b>	<b>\$ 287,202</b>	<b>\$ (27,013)</b>

\* The federal pass through contributions/expenditures are comprised of: on-behalf payment to D.C. Federal Pension Fund (\$452,201) and payments to eligible low income families under the Supplemental Nutrition Assistance Program (SNAP) (\$199,360).

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Y. RESTATEMENT

The District implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, in fiscal year 2017. As a result of this implementation, the financial statements of the Not-for-Profit Hospital Corporation, a component unit of the District, are blended into that of the primary government in fiscal year 2017. Implementation of this statement

resulted in an increase in net position for the primary government and a decrease in net position for the combined discretely presented component units at October 1, 2016.

The effect of the change in presentation is shown in the table below.

#### Restatement Table

	Dollars in \$000s	
	<b>October 1, 2016</b>	
	<b>Primary Government</b>	<b>Component Units</b>
Net position, as previously reported	\$ 4,815,418	\$ 918,340
Presentation change	98,409	(98,409)
<b>Net position, as restated</b>	<b>\$ 4,913,827</b>	<b>\$ 819,931</b>

## NOTE 2. CASH AND INVESTMENTS

### A. CASH

The District of Columbia follows the practice of pooling cash and cash equivalents for some of its governmental funds and component units in order to provide better physical custody and control of cash, to enhance operational efficiency, and to maximize investment opportunities. In accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective on March 18, 1998, substantially all of the \$3,984,393 in deposits within the custody of the District as of September 30, 2017, were insured or collateralized with securities held by the District or by its agent in the District's name. As of September 30, 2017, the carrying amount of cash and cash equivalents for the primary government including the fiduciary funds was \$3,652,163 and the carrying amount of cash (deposits) for the component units was \$332,230.

### 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 in 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 commercial paper, collateralized certificates of deposits and repurchase agreements.

**Table N2a** presents the reconciliation of the District's cash and investment balances as of September 30, 2017. **Table N2b** presents the District's cash and investment balances (by category) as of September 30, 2017.

**Table N2a – Reconciliation of Cash and Cash Equivalents and Investment Balances**

(Dollars in \$000s)								
	Exhibit 1-a			Exhibit 4-a				Total Cash and Investment Balances
	Primary Government	Component Units	Total	Pension/ OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds	Total	
Cash and cash equivalents	\$ 1,338,784	\$ 173,282	\$ 1,512,066	\$ -	\$ -	\$ -	\$ -	\$ 1,512,066
Investments	-	215,512	215,512	-	-	-	-	215,512
Cash and cash equivalents (restricted)	2,074,114	158,948	2,233,062	170,274	-	68,991	239,265	2,472,327
Investments (restricted)	92,464	356,174	448,638	8,974,508	533,953	-	9,508,461	9,957,099
<b>Total</b>	<b>\$ 3,505,362</b>	<b>\$ 903,916</b>	<b>\$ 4,409,278</b>	<b>\$ 9,144,782</b>	<b>\$ 533,953</b>	<b>\$ 68,991</b>	<b>\$ 9,747,726</b>	<b>\$ 14,157,004</b>



## NOTE 2. CASH AND INVESTMENTS

Table N2b – Cash and Investment Balances (by Category)

	(Dollars in \$000s)			
	Primary Government	Fiduciary Funds	Component Units	Total
<b>Cash and cash equivalent balances</b>	<b>\$ 3,412,898</b>	<b>\$ 239,265</b>	<b>\$ 332,230</b>	<b>\$ 3,984,393</b>
<b>Investments</b>				
U. S. government securities	1,939	-	207,104	209,043
Commercial paper	40,286	-	-	40,286
Certificates of deposit	29,000	-	30,137	59,137
Mortgage-backed securities	5,487	-	-	5,487
Guaranteed investment contracts	2,147	125,925	-	128,072
Repurchase agreements	11,155	-	-	11,155
Exchange traded funds	1,495	-	2,068	3,563
Alternative investments	-	-	4,039	4,039
Commodities	-	42,621	-	42,621
Equity securities	148	5,552,945	40,378	5,593,471
Fixed income securities	-	2,696,118	11,536	2,707,654
Real estate	-	614,886	-	614,886
Private equity	-	470,532	-	470,532
Corporate securities	-	-	3,509	3,509
Investment contracts	-	-	11,104	11,104
Money market	807	-	260,693	261,500
Mutual funds	-	5,434	1,118	6,552
<b>Total Investments</b>	<b>92,464</b>	<b>9,508,461</b>	<b>571,686</b>	<b>10,172,611</b>
<b>Total cash and cash equivalents and investment balances</b>	<b>\$ 3,505,362</b>	<b>\$ 9,747,726</b>	<b>\$ 903,916</b>	<b>\$ 14,157,004</b>

## 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, cash equivalents and investment pools held in the control of DCRB as of September 30, 2017 and 2016, are presented in **Table N2c**.

Table N2c – Cash and Investment Pools: District Retirement Funds

	(Dollars in \$000s)	
	September 30, 2017	September 30, 2016
Cash and cash equivalents	\$ 88,216	\$ 51,480
Investments:		
Domestic equity	2,099,359	1,956,019
International equity	2,364,937	2,081,748
Fixed income	2,125,703	1,818,097
Real estate	614,886	479,380
Private equity	470,532	393,368
<b>Total cash and cash equivalents and investments</b>	<b>\$ 7,763,633</b>	<b>\$ 6,780,092</b>

## NOTE 2. CASH AND INVESTMENTS

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

During fiscal year 2017, the District's Annuitants' Health and Life Insurance Employer Contribution

Fund (OPEB Fund) maintained certain cash and cash equivalents balances. **Table N2d** presents the OPEB Fund's cash and cash equivalents balances as of September 30, 2017 and 2016.

**Table N2d – Cash and Cash Equivalents Balances: OPEB Fund**

	(Dollars in \$000s)	
	September 30, 2017	September 30, 2016
Cash	\$ 21,397	\$ 5,696
Brandywine large cap value	17,736	7,733
ClearBridge mid cap core	3,995	1,741
Bernstein strategic core plus	17,911	5,814
Bernstein global ex-US plus	2,523	4,798
Farr, miller washington large cap growth	18,496	11,250
<b>Total cash and cash equivalents</b>	<b>\$ 82,058</b>	<b>\$ 37,032</b>

### Deposit and Investment Risks

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 as follows.

#### Credit Risk

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 of Columbia (Excluding Fiduciary Funds)*

To mitigate such risk, 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 AA+ or AA+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.

#### *District Retirement Funds*

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.

#### *OPEB Fund*

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, 2017, the average quality ratings of those counterparties were as follows: SSgA was Aa2, and Access Capital was AAA.

#### Custodial Credit Risk

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

#### *District of Columbia (Excluding Fiduciary Funds)*

The District had no custodial credit risk exposure during the fiscal year. All District investments in fiscal year 2017 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.

#### *District Retirement Funds*

The District Retirement Funds had no custodial credit risk exposure during fiscal year 2017. Investments

## NOTE 2. CASH AND INVESTMENTS

controlled by DCRB in fiscal year 2017 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.

*OPEB Fund*

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.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

*District of Columbia (Excluding Fiduciary Funds)*

To mitigate such risk, the District's investment policy does not allow for an investment in any single issuer that is in excess of five percent of the District's total investment portfolio with the following exceptions: U.S. Treasury, 100% maximum; each federal agency, 40% maximum; each repurchase agreement counterparty, 25% maximum; and each money market mutual fund, 25% maximum. As of September 30, 2017, the District was in compliance with this policy.

*District Retirement Funds*

DCRB's investment guidelines do not permit direct investment in any single issuer in excess of five percent 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, 2017, DCRB was in compliance with this policy.

*OPEB Fund*

The OPEB Fund has no significant concentrations of exposure to credit risk that have not been reduced by collateral and other set-offs.

**Interest Rate Risk**

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.

*District of Columbia (Excluding Fiduciary Funds)*

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 **Table N3**.

**Table N3 – 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 Certificates of Deposit	Not applicable	30%
Money Market Mutual Funds	Not applicable	100%
Bank Deposits	Not applicable	100%

*District Retirement Funds*

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.

*OPEB Fund*

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.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

*District of Columbia (Excluding Fiduciary Funds)*

As of September 30, 2017, the District had no exposure to foreign currency risk.

## NOTE 2. CASH AND INVESTMENTS

### District Retirement Funds

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 2017, the District Retirement Funds held investments that were denominated in a currency other than the United States dollar, as presented in **Table N4a**.

**Table N4a – District Retirement Funds’ Investments Denominated in Foreign Currency**

(Dollars in \$000s)				
	Asset Class			
	Cash	Equities	Private Equity	Total
Canadian Dollar	\$ -	\$ 4,479	\$ -	\$ 4,479
Euro	1,582	-	35,101	36,683
<b>Total Foreign Currency</b>	<b>\$ 1,582</b>	<b>\$ 4,479</b>	<b>\$ 35,101</b>	<b>\$ 41,162</b>

### OPEB Fund

The OPEB Fund does not have a formal policy for limiting its exposure to changes in exchange rates.

**Table N4b** presents the OPEB Fund’s investments that were denominated in a currency other than the United States dollar.

**Table N4b – OPEB Fund Investments Denominated in Foreign Currency**

(Dollars in \$000s)			
	Short-Term and Cash	Convertible and Fixed Income	Total
Argentine peso	\$ (127)	\$ 1,271	\$ 1,144
Australian dollar	173	1,740	1,913
Brazilian real	265	514	779
British pound sterling	(492)	14,592	14,100
Canadian dollar	(406)	5,358	4,952
Czech koruna	18	3,486	3,504
Danish krone	(5)	828	823
Egyptian pound	31	355	386
Euro	3,339	63,509	66,848
Japanese yen	(210)	45,705	45,495
Malaysian ringgit	17	762	779
Mexican peso	(120)	3,405	3,285
New Israeli shekel	5	238	243
New Taiwan dollar	(14)	18	4
New Zealand dollar	89	(1,672)	(1,583)
Norwegian krone	(6)	332	326
Polish zloty	16	564	580
Russian ruble	54	1,823	1,877
Singapore dollar	-	513	513
South African rand	(124)	1,083	959
South Korean won	(43)	1,857	1,814
Swedish krona	70	1,105	1,175
Swiss franc	(16)	1,879	1,863
Thai baht	(3)	585	582
Turkish lira	(45)	2,053	2,008
<b>Total Foreign Currency</b>	<b>\$ 2,466</b>	<b>\$ 151,903</b>	<b>\$ 154,369</b>

### Fair Value of Investments

The District (including the District Retirement Funds and the OPEB Fund) 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



## NOTE 2. CASH AND INVESTMENTS

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.

#### District of Columbia Investments (Excluding Fiduciary Funds)

The District's investments measured at fair value as of September 30, 2017, are presented in **Table N5** in accordance with the GASB Statement No. 72 valuation hierarchy.

**Table N5 – District Investments Measured at Fair Value (Excluding Fiduciary Funds)**

		(Dollars in \$000s)			
		Fair Value Measurement Using			
	September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Investments by fair value level</b>					
Exchange traded funds:					
U.S. government bond fund	\$ 443	\$ 443	\$ -	\$ -	
International equity funds	625	625	-	-	
U.S. equity funds	58	58	-	-	
Corporate bond funds	252	252	-	-	
High yield bond funds	59	59	-	-	
Commodity funds	58	58	-	-	
<b>Total exchange traded funds</b>	<b>1,495</b>	<b>1,495</b>	<b>-</b>	<b>-</b>	
Non exchange traded funds:					
U.S. equity funds	148	148	-	-	
Mortgage-backed securities	5,487	-	5,487	-	
Repurchase agreements	11,155	-	11,155	-	
Guaranteed investment contracts	2,147	-	-	2,147	
<b>Total</b>	<b>\$ 20,432</b>	<b>\$ 1,643</b>	<b>\$ 16,642</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 N5**. 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 throughout the trading day and market price fluctuates throughout the trading day. An ETF 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. Stock ETF's basket of assets that track certain indexes are classified as Level 1 in the fair value hierarchy. Bond ETFs 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 values of these assets were determined using a Level 2 measurement as presented in **Table N5**.

- *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 N5**.
- *Guaranteed investment contracts* – Guaranteed investment contracts are valued at fair value

## NOTE 2. CASH AND INVESTMENTS

by discounting the related cash flows based on current yields of similar instruments with 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 N5**.

**District Retirement Funds Investments**

**Table N6a** presents the District Retirement Funds' investments measured at fair value as of September 30, 2017, in accordance with the GASB Statement No. 72 valuation hierarchy.

**Table N6a – Investments Measured at Fair Value: District Retirement Funds**

		(Dollars in \$000s)			
		Fair Value Measurement Using			
	September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Investments by fair value level</b>					
Domestic equity	\$ 278,468	\$ 278,468	\$ -	\$ -	
Fixed income	304,700	-	304,700	-	
<b>Total investments by fair value level</b>	<b>\$ 583,168</b>	<b>\$ 278,468</b>	<b>\$ 304,700</b>	<b>\$ -</b>	
<b>Investments measured at the net asset value (NAV)</b>					
Domestic equity	\$ 1,820,891				
International equity	2,364,937				
Fixed income	1,821,003				
Real assets	614,886				
Private equity	470,532				
<b>Total investments measured at the NAV</b>	<b>7,092,249</b>				
<b>Total investments measured at fair value</b>	<b>\$ 7,675,417</b>				

- *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 N6b**.

## NOTE 2. CASH AND INVESTMENTS

Table N6b – Investments Measured at the Net Asset Value (NAV): District Retirement Funds

	(Dollars in \$000s)			
	Fair Value as of September 30, 2017	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>Investments measured at the NAV</b>				
Domestic equity	\$ 1,820,891	\$ -	Daily	None
International equities	2,364,937	-	Daily	None
Fixed income	1,821,003	-	Daily, Monthly	3-30 days
Real assets	614,886	407,670	None	N/A
Private equity	470,532	442,602	None	N/A
<b>Total Investments measured at the NAV</b>	<b>\$ 7,092,249</b>	<b>\$ 850,272</b>		

*Domestic and international equities* – DCRB has investments in three 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 six funds, including corporate bonds, and U.S. Treasury obligations, with redemption notifications not greater than 30 days.

*Real assets 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 N6b**, the unfunded commitments totaled \$850,272, as of September 30, 2017. This represents global investments in 35 real asset (real estate) and 29 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 asset program includes investments in a broad range of real estate strategies (i.e., core, value-added, opportunistic), infrastructure and natural resources funds.

#### OPEB Fund Investments

**Table N7a** presents the OPEB Fund's investments measured at fair value as of September 30, 2017, in accordance with GASB Statement No. 72 valuation hierarchy.

## NOTE 2. CASH AND INVESTMENTS

Table N7a – Investments and Derivative Instruments Measured at Fair Value: OPEB Fund

(Dollars in \$000s)				
September 30, 2017	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Investments by fair value level</b>				
<b>Equity securities</b>				
<b>U.S. equities (by industry)</b>				
Industrials	\$ 81,926	\$ 81,926	\$ -	\$ -
Consumer retail	122,975	122,975	-	-
Information technology	79,394	79,394	-	-
Financial institutions	91,280	91,280	-	-
Healthcare	72,375	72,375	-	-
Other	2,020	2,020	-	-
<b>International equities (by industry)</b>				
Consumer retail	5,748	5,748	-	-
Information technology	4,190	4,190	-	-
Industrials	4,004	4,004	-	-
Real estate investment trust securities	6,515	-	-	6,515
Mutual funds	98,979	98,979	-	-
<b>Total equity securities</b>	<b>569,406</b>	<b>562,891</b>	<b>-</b>	<b>6,515</b>
<b>Debt securities</b>				
U.S. government issues	80,577	-	80,577	-
International government issues	105,681	-	105,681	-
Corporate bonds	83,334	-	82,948	386
Mortgage-backed securities	322	-	-	322
Credit card/automotive receivables	14,410	-	14,410	-
Mutual funds	112,498	-	56,492	56,006
U.S. state and local government bonds	10,018	-	10,018	-
<b>Total debt securities</b>	<b>406,840</b>	<b>-</b>	<b>350,126</b>	<b>56,714</b>
<b>Commodity investments</b>				
Gresham commodities fund	42,621	-	-	42,621
<b>Total investments by fair value level</b>	<b>\$ 1,018,867</b>	<b>\$ 562,891</b>	<b>\$ 350,126</b>	<b>\$ 105,850</b>
<b>Investments measured at the net asset value (NAV)</b>				
SSgA emerging markets equity index	\$ 96,779			
Baillie Gifford international growth equity	86,392			
Artisan international growth fund	71,900			
Blue Bay emerging markets debt fund	25,153			
<b>Total investments measured at the NAV</b>	<b>280,224</b>			
<b>Total investments measured at fair value</b>	<b>\$ 1,299,091</b>			
<b>Investment derivative instruments</b>				
Interest rate swaps	\$ (142)	\$ -	\$ (142)	\$ -
Credit defaults swaps	(725)	-	(725)	-
Foreign exchange forwards	1,396	-	1,396	-
<b>Total investments derivative instruments</b>	<b>\$ 529</b>	<b>\$ -</b>	<b>\$ 529</b>	<b>\$ -</b>



## NOTE 2. CASH AND INVESTMENTS

The following provides a summary of investments measured at fair value as presented in **Table N7a**.

- **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 objective of the fund is 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 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 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.

**Investments measured at the NAV:** This investment category consists of four funds that include funds or products that employ dynamic trading strategies aimed at achieving absolute returns. These investment funds 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. Additional information about the nature of investments measured at the net asset value per share is presented in **Table N7b**.

Table N7b – Investments Measured at the Net Asset Value (NAV): OPEB Fund

(Dollars in \$000s)				
	Fair Value as of September 30, 2017	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>Investments measured at the NAV</b>				
SSgA emerging markets equity index	\$ 96,779	\$ -	Monthly	5 days
Baillie Gifford international growth equity	86,392	-	Monthly	5 days
Artisan international growth fund	71,900	-	Monthly	5 days
Blue Bay emerging markets debt fund	25,153	-	Monthly	30 days
<b>Total investments measured at the NAV</b>	<b>\$ 280,224</b>	<b>\$ -</b>		

## NOTE 2. CASH AND INVESTMENTS

- SSgA emerging markets equity index:* The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. Equity securities held by the fund may be denominated in foreign currencies and may be held outside the United States. In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio.
- Artisan international growth fund:* The fund’s investment team seeks to invest in companies with histories of generating strong, free cash flow, improving returns on capital and strong competitive positions in their industries. The team also believes that investing in companies with strong balance sheets helps to reduce the potential for capital risk and provides company management the ability to build value when attractive opportunities are available.
- Baillie Gifford international growth equity:* The fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Their investment process is based on a highly analytical research-driven process, and builds portfolios from the bottom-up. The strategy invests primarily in developed markets, but also may invest up to 20% of the Fund’s net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes, and are only used under certain conditions.
- 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 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.

## NOTE 2. CASH AND INVESTMENTS

**Derivative Instruments**

Derivative instruments are generally defined as contracts, the value of which depends on or derives from the value of an underlying asset, reference rate or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Other common types of derivatives used by governments include: interest rate and commodity

swaps, interest rate locks, and forward contracts.

**Table N8** presents the fair value balances and notional amounts of the District's derivative instruments outstanding as of September 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended.

**Table N8 – Derivative Instruments Outstanding as of September 30, 2017**

(Dollars in \$000s)					
Changes in Fair Value			Fair Value at September 30, 2017		
Classification	Amount		Classification	Amount	Notional
<b>Governmental Activities:</b>					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2016C (formerly Series 2002-2008C, then 2014B) Swap*	Deferred outflows	\$ 14,055	Swap	\$ (31,904)	\$ 224,300
2007 AWC Swap	Deferred outflows	2,029	Swap	(3,162)	46,475
2004B Swap	Deferred outflows	272	Swap	(384)	9,460
<b>Derivative instrument liabilities, at end of year</b>				<b>\$ (35,450)</b>	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment revenue	\$ 42	Swap	\$ 555	143,375
<b>Derivative instrument assets, at end of year</b>				<b>\$ 555</b>	

\* Combines two interest rate swap transactions

**District of Columbia (Excluding Fiduciary Funds)**

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*. 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.

GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The District engaged an independent party to perform the required tests and valuation 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, 2017, 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, 2017

(Dollars in \$000s)						
Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
<b>Pay-Fixed Interest Rate Swaps:</b>						
2016C Swap (formerly Series 2002-2008C, then 2014B)*	Hedge of changes in cash flows on the Series 2016C Bonds (formerly 2014B 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	46,475	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)	A3/A-/A+
<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	143,375	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-

\* Combines two interest rate swap transactions

## 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 when hedging derivative instruments 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, 2017, were as presented in **Table N9**.

As of September 30, 2017, the District was not exposed to credit risk because each of the hedging derivative instruments had a negative mark-to-market value, all totaling \$35,450. However, should interest rates change and the mark-to-market value of any of the swaps become positive, the District would be exposed to credit risk in the amount of the derivative's mark-to-market value. The negative mark-to-market value 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, 2017, the fair value of the investment in derivative instruments subject to interest rate risk was \$555 (thousand). This investment has a maturity of more than 10 years.

The District entered into a floating-to-floating 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, 2017, the notional amount of the 2001C/D Swap was



## NOTE 2. CASH AND INVESTMENTS

\$143,375. 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, 2017, this interest rate swap had a fair value of \$555 (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 of 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 2016C 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, 2017, 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 when 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 2017.

### **District of Columbia Fiduciary Funds**

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

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, may invest in various derivative instruments either to increase potential earnings or to hedge against potential losses.

The District's Retirement Funds may also hold derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. There were no derivative holdings as of September 30, 2017.

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

#### **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 2017, OPEB invested directly in forward currency contracts.

At September 30, 2017, OPEB had two types of off-balance-sheet derivative financial instruments outstanding: swaps, and forwards. The interest rate swaps and credit default swaps 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

## NOTE 2. CASH AND INVESTMENTS

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, 2017, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was \$300 (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, 2017. The net unrealized gain on foreign currency spot and forward contracts for the years ended September 30, 2017, was \$563 (thousand). **Table N10** presents a list of the OPEB Fund's derivatives aggregated by type as of September 30, 2017.

Additional information regarding the OPEB Fund's derivative holdings is presented in the Fund's separately issued audited financial statements which may be obtained from the Office of Finance and Treasury, 1101 4th Street, S.W., Suite 800 W, Washington, DC 20024.

Table N10 – Derivative Investments Aggregated by Type: OPEB

(Dollars in \$000s)					
Type of Derivative	Changes in Fair Value		Fair Value at September 30, 2017		Notional
	Classification	Amount	Classification	Amount	
Credit Default Swaps Bought	Investment Revenue	\$ (22)	Swaps	\$ (29)	\$ 395
Credit Default Swaps Written	Investment Revenue	32	Swaps	(696)	4,355
Fixed Income Futures Long	Investment Revenue	(621)	Futures	-	33,472
Fixed Income Futures Short	Investment Revenue	332	Futures	-	(19,763)
Fixed Income Futures Bought	Investment Revenue	(24)	Options	-	-
Fixed Income Futures Written	Investment Revenue	18	Options	-	-
Foreign Exchange Forwards	Investment Revenue	(2,031)	Forwards	1,396	209,859
Pay Fixed Interest Rate Swaps	Investment Revenue	628	Swaps	41	41,578
Receive Fixed Interest Rate Swaps	Investment Revenue	(223)	Swaps	(183)	16,178
Total		<u>\$ (1,911)</u>		<u>\$ 529</u>	

## 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 2017, the District Retirement Funds did not participate in any security lending transactions.

### NOTE 3. RESTRICTED ASSETS

As of September 30, 2017, restricted assets of the primary government, component units, and fiduciary funds totaled \$12,429,426 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	\$ 542,081	\$ -	\$ -	\$ -	\$ -	\$ 542,081
Capital project	-	-	-	113,830	58,801	172,631
Emergency cash reserve	137,967	-	-	-	-	137,967
Contingency cash reserve	275,934	-	-	-	-	275,934
Other	35,686	114,559	231,054	-	211,997	593,296
<b>Total</b>	<b>\$ 991,668</b>	<b>\$ 114,559</b>	<b>\$ 231,054</b>	<b>\$ 113,830</b>	<b>\$ 270,798</b>	<b>\$ 1,721,909</b>

	Proprietary Funds/Business-Type Activities				
	Lottery & Games	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond escrow accounts	\$ -	\$ -	\$ -	\$ -	\$ 240,325
Unpaid prizes	1,939	-	1,939	-	-
University endowment	-	-	-	-	27,221
Benefits	-	442,730	442,730	9,747,726	-
Purpose restrictions	-	-	-	-	222,985
Other	-	-	-	-	24,591
<b>Total</b>	<b>\$ 1,939</b>	<b>\$ 442,730</b>	<b>\$ 444,669</b>	<b>\$ 9,747,726</b>	<b>\$ 515,122</b>

*The Not-for-Profit Hospital is a proprietary fund and in fiscal year 2017 there were no restricted assets.*

## NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

### A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in **Table N12**.

**Table N12 – Receivables**

	(Dollars in \$000s)								
	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Not-for- Profit Hospital Corporation	Fiduciary Funds
Gross receivables:									
Taxes	\$ 454,439	\$ -	\$ -	\$ -	4,003	\$ -	\$ -	\$ -	-
Accounts and other	345,875	9,098	271	1,121	30,810	4,116	32,946	35,824	22,033
Federal	4,347	417,858	-	76,903	-	-	1,125	-	22,924
<b>Total gross receivables</b>	<b>804,661</b>	<b>426,956</b>	<b>271</b>	<b>78,024</b>	<b>34,813</b>	<b>4,116</b>	<b>34,071</b>	<b>35,824</b>	<b>44,957</b>
Less: allowance for doubtful accounts	131,958	-	-	-	-	257	22,753	11,584	-
<b>Total net receivables</b>	<b>\$ 672,703</b>	<b>\$ 426,956</b>	<b>\$ 271</b>	<b>\$ 78,024</b>	<b>\$ 34,813</b>	<b>\$ 3,859</b>	<b>\$ 11,318</b>	<b>\$ 24,240</b>	<b>\$ 44,957</b>

### B. INTERFUND TRANSFERS

Other than the transfers between the Office of Lottery and Charitable Games 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, 2017.

**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	\$ 26,099
Lottery and Games	General Fund	DC Lottery excess revenues, after operating costs	45,600
General Fund	Capital Improvements Fund	PAYGO - projects financed by the General Fund	88,203
General Fund	Capital Improvements Fund	PAYGO - Capital projects financed by Local Transportation Fund	45,244
Capital Improvements Fund	General Fund	Unspent Capital Paygo transferred back to the General Fund	19,442
PILOT Special Revenue Fund	General Fund	Excess collections above PILOT debt service requirements	1,518
Tax Increment Financing Fund	General Fund	Excess collections above TIF debt service requirements	18,936
Federal and Private Resources Fund	General Fund	Revenues generated from indirect cost recovery	500
Federal and Private Resources Fund	General Fund	Federal reimbursement for January snow storm	12,491
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	57,237
General Fund	Housing Production Trust Fund	Funds for housing projects and services	42,732
<b>Total Interfund Transfers</b>			<b>\$ 358,002</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, 2017, 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	\$ 8,937	\$ 13,766	\$ 810,478	\$ 21,469
Federal & Private Resources	-	1,649	21,819	203,265
Housing Production Trust	-	-	5,663	-
General Capital Improvements	-	873	-	603,104
Nonmajor - Baseball Special Revenue	665	-	5,749	-
Nonmajor - PILOT Special Revenue	-	-	3,510	2,833
Nonmajor - Tax Increment Financing	1,000	1,974	6,117	1,039
Unemployment Compensation	-	-	430	22,056
Health Benefit Exchange Authority	642	726	-	-
Washington Convention and Sports Authority	12,909	2,991	-	-
Housing Finance Agency	1,432	-	-	-
University of the District of Columbia	3,279	6,885	-	-
<b>Total</b>	<b>\$ 28,864</b>	<b>\$ 28,864</b>	<b>\$ 853,766</b>	<b>\$ 853,766</b>

The above balances represent the impact of transactions among the funds and component units, which will be settled during fiscal year 2018.

## NOTE 5. CAPITAL ASSETS

### Capital Outlays

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled \$1,233,004 during the fiscal year ended September 30, 2017. As construction progresses, capital expenditures which meet the criteria to be capitalized

as set forth in **Note 1L**, are capitalized as Construction in Progress (CIP) in the governmental activities column of the government-wide financial statements. Upon completion of the project, all project costs are transferred from CIP into the appropriate "in-service" capital asset account.

### A. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY CLASS

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

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

(Dollars in \$000s)						
Asset Class	Balance October 1, 2016	Additions	Transfers	Dispositions	Transfers from CIP	Balance September 30, 2017
Non-depreciable:						
Land	\$ 948,412	\$ 20,667	\$ -	\$ (5,807)	\$ 744	\$ 964,016
Construction in progress	1,219,908	975,708	-	-	(922,493)	1,273,123
<b>Total non-depreciable</b>	<b>2,168,320</b>	<b>996,375</b>	<b>-</b>	<b>(5,807)</b>	<b>(921,749)</b>	<b>2,237,139</b>
Depreciable:						
Infrastructure	6,177,662	-	-	-	296,512	6,474,174
Buildings	8,379,592	15,966	-	(995)	415,644	8,810,207
Equipment	1,618,230	18,924	(2,159)	(33,973)	209,593	1,810,615
<b>Total depreciable</b>	<b>16,175,484</b>	<b>34,890</b>	<b>(2,159)</b>	<b>(34,968)</b>	<b>921,749</b>	<b>17,094,996</b>
Less accumulated depreciation for:						
Infrastructure	(2,654,579)	(166,207)	-	-	-	(2,820,786)
Buildings	(1,954,445)	(167,366)	-	-	-	(2,121,811)
Equipment	(1,302,891)	(101,708)	2,045	33,385	-	(1,369,169)
<b>Total accumulated depreciation</b>	<b>(5,911,915)</b>	<b>(435,281)</b>	<b>2,045</b>	<b>33,385</b>	<b>-</b>	<b>(6,311,766)</b>
<b>Total depreciable, net</b>	<b>10,263,569</b>	<b>(400,391)</b>	<b>(114)</b>	<b>(1,583)</b>	<b>921,749</b>	<b>10,783,230</b>
<b>Net governmental activities capital assets</b>	<b>\$ 12,431,889</b>	<b>\$ 595,984</b>	<b>\$ (114)</b>	<b>\$ (7,390)</b>	<b>-</b>	<b>\$ 13,020,369</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 September 30, 2017
	Balance October 1, 2016	Additions	Transfers	Dispositions	CIP Transfers in (out)	
Governmental direction and support	\$ 2,538,266	\$ 4,049	\$ -	\$ (372)	\$ 48,741	\$ 2,590,684
Economic development and regulation	569,024	38,374	-	(8,017)	7,354	606,735
Public safety and justice	1,167,053	10,217	(1,721)	(13,534)	42,719	1,204,734
Public education system	4,313,956	2,628	-	(12,080)	352,128	4,656,632
Human support services	1,523,072	6	(438)	(6,424)	170,365	1,686,581
Public works	7,012,525	283	-	(348)	301,186	7,313,646
Construction in progress	1,219,908	975,708	-	-	(922,493)	1,273,123
<b>Total</b>	<b>\$ 18,343,804</b>	<b>\$ 1,031,265</b>	<b>\$ (2,159)</b>	<b>\$ (40,775)</b>	<b>\$ -</b>	<b>\$ 19,332,135</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 September 30, 2017
	Balance October 1, 2016	Additions	Transfers	Dispositions	
Governmental direction and support	\$ 1,049,654	\$ 53,938	\$ -	\$ (190)	\$ 1,103,402
Economic development and regulation	50,272	6,838	-	(1,020)	56,090
Public safety and justice	491,272	48,393	(1,690)	(12,965)	525,010
Public education system	892,877	94,960	-	(12,445)	975,392
Human support services	442,256	42,604	(355)	(6,417)	478,088
Public works	2,985,584	188,548	-	(348)	3,173,784
<b>Total</b>	<b>\$ 5,911,915</b>	<b>\$ 435,281</b>	<b>\$ (2,045)</b>	<b>\$ (33,385)</b>	<b>\$ 6,311,766</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

Asset Class	(Dollars in \$000s)			
	Balance October 1, 2016, as restated	Additions	(Dispositions) / Adjustments	Balance September 30, 2017
Non-depreciable:				
Land	\$ 8,100	\$ -	\$ -	8,100
Construction in progress	6,444	1,818	-	8,262
<b>Total non-depreciable</b>	<b>14,544</b>	<b>1,818</b>	<b>-</b>	<b>16,362</b>
Depreciable:				
Buildings and improvements	55,641	11,175	-	66,816
Equipment	41,098	7,869	-	48,967
<b>Total depreciable</b>	<b>96,739</b>	<b>19,044</b>	<b>-</b>	<b>115,783</b>
Less accumulated depreciation for:				
Buildings and improvements	(16,969)	(3,516)	-	(20,485)
Equipment	(25,839)	(6,084)	-	(31,923)
<b>Total accumulated depreciation</b>	<b>(42,808)</b>	<b>(9,600)</b>	<b>-</b>	<b>(52,408)</b>
<b>Total depreciable, net</b>	<b>53,931</b>	<b>9,444</b>	<b>-</b>	<b>63,375</b>
<b>Net capital assets</b>	<b>\$ 68,475</b>	<b>\$ 11,262</b>	<b>\$ -</b>	<b>\$ 79,737</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

Asset Class	(Dollars in \$000s)				
	Balance October 1, 2016, as restated	Additions	Transfers/ (Dispositions)	CIP Transfers in (out)	Balance September 30, 2017
Non-depreciable:					
Land	\$ 12,814	\$ -	\$ -	\$ -	12,814
Artwork	3,183	-	-	-	3,183
Construction in progress	5,573	19,095	-	(3,633)	21,035
<b>Total non-depreciable</b>	<b>21,570</b>	<b>19,095</b>	<b>-</b>	<b>(3,633)</b>	<b>37,032</b>
Depreciable:					
Buildings and improvements	1,248,719	9,251	-	3,633	1,261,603
Equipment	169,151	32,350	(26,249)	-	175,252
<b>Total depreciable</b>	<b>1,417,870</b>	<b>41,601</b>	<b>(26,249)</b>	<b>3,633</b>	<b>1,436,855</b>
Less accumulated depreciation for:					
Buildings and improvements	(550,076)	(36,973)	-	-	(587,049)
Equipment	(80,952)	(13,569)	26,249	-	(68,272)
<b>Total accumulated depreciation</b>	<b>(631,028)</b>	<b>(50,542)</b>	<b>26,249</b>	<b>-</b>	<b>(655,321)</b>
<b>Total depreciable, net</b>	<b>786,842</b>	<b>(8,941)</b>	<b>-</b>	<b>3,633</b>	<b>781,534</b>
<b>Net capital assets</b>	<b>\$ 808,412</b>	<b>\$ 10,154</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 818,566</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 1, 2016, as restated	Additions	Transfers/ (Dispositions)	September 30, 2017	October 1, 2016, as restated	Additions	Transfers/ (Dispositions)	September 30, 2017	Balance October 1, 2016, as restated	Balance September 30, 2017
University of the District of Columbia	\$ 362,025	\$ 11,603	\$ (26,249)	\$ 347,379	\$ (154,549)	\$ (7,915)	\$ 26,249	\$ (136,215)	\$ 207,476	\$ 211,164
Washington Convention and Sports Authority	985,466	22,012	-	1,007,478	(455,574)	(32,543)	-	(488,117)	529,892	519,361
Health Benefit Exchange Authority	85,579	26,461	-	112,040	(16,477)	(9,943)	-	(26,420)	69,102	85,620
Housing Finance Agency	6,370	620	-	6,990	(4,428)	(141)	-	(4,569)	1,942	2,421
<b>Total</b>	<b>\$ 1,439,440</b>	<b>\$ 60,696</b>	<b>\$ (26,249)</b>	<b>\$ 1,473,887</b>	<b>\$ (631,028)</b>	<b>\$ (50,542)</b>	<b>\$ 26,249</b>	<b>\$ (655,321)</b>	<b>\$ 808,412</b>	<b>\$ 818,566</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 September 30, 2017
	Balance October 1, 2016	Additions/ Adjustments	Transfers from CIP/ (Dispositions)	
PRIMARY GOVERNMENT				
Governmental Direction and Support				
Finance	\$ 23,983	\$ 15,379	\$ -	\$ 39,362
Legislative	1,377	1,716	(117)	2,976
Administrative	145,904	55,727	(56,461)	145,170
Executive	857	335	(86)	1,106
Total	172,121	73,157	(56,664)	188,614
Economic Development and Regulation				
Community Development	46,508	28,181	(4,094)	70,595
Economic Regulation	3,334	(74)	(3,260)	-
Employment Services	888	671	-	1,559
Total	50,730	28,778	(7,354)	72,154
Public Safety and Justice				
Police	9,968	8,391	(12,526)	5,833
Fire	17,481	15,805	(22,139)	11,147
Corrections	3,616	3,184	-	6,800
Protection	-	229	-	229
Total	31,065	27,609	(34,665)	24,009
Public Education System				
Schools	262,557	391,888	(342,639)	311,806
Culture	14,540	45,305	(9,489)	50,356
Total	277,097	437,193	(352,128)	362,162
Human Support Services				
Health and Welfare	141,030	28,636	(130,879)	38,787
Recreation	42,539	36,181	(39,486)	39,234
Human Relations	194	235	(429)	-
Total	183,763	65,052	(170,794)	78,021
Public Works				
Environmental	505,132	343,919	(300,888)	548,163
Total	505,132	343,919	(300,888)	548,163
Totals	\$ 1,219,908	\$ 975,708	\$ (922,493)	\$ 1,273,123

## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

This section discloses financing programs through which limited obligations and other similar debt instruments are administered in support of third parties. Such obligations and debt instruments provide capital financing for third parties that are not part of the District's reporting entity. The District has no obligation for these obligations and instruments beyond the repayment of resources provided by the associated 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, 2017, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$4.4 billion. Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2017.

### B. ENTERPRISE ZONE FACILITY BONDS

Since January 1, 1998, businesses located in the District of Columbia Enterprise Zone have been eligible to obtain up to \$15 million of tax-exempt financing. Similar to Industrial Revenue Bonds, the principal and interest are payable solely from defined revenues of private entities, including non-profit and for-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. As of September 30, 2017, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$14.6 million. Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2017.

### 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.

#### *Downtown Retail Priority Area: Forever 21 and Clyde's*

Since March 2006, the Mayor has executed several TIF Notes under the Downtown Retail Priority Area Program. The Clyde's TIF Note was fully repaid on June 1, 2017.

**Table N22** presents the original loan amount of the Downtown Retail Priority Area TIF Note which remained outstanding as of September 30, 2017.

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

Issuance Date	Description	Dollar Value/ Amount (in \$000s)	Terms/Other Comments
February 2011	Forever 21 TIF Note	\$4,985	Matures on February 1, 2021; Interest Rate: 6.00%

#### *Verizon Center*

In December 2007, the District issued \$50,000 in taxable financing notes to finance upgrades at the Verizon Center. The 2007A Note was issued in the amount of \$43,570 at a fixed interest rate of 6.73% and matures on August 15, 2047. The 2007B note was issued in the amount of \$6,430 at a fixed interest rate of 6.58% with a maturity date of August 15, 2027. These notes are a special limited obligation of the District and are secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at the Verizon Center. In the event such taxes are not sufficient, the notes are further secured by incremental tax revenues from the Downtown TIF Area, which are subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance the Mandarin Oriental Hotel.

#### *Great Streets Retail Priority Areas*

In September 2009, the Mayor executed the first Great Streets TIF, the Georgia Avenue Retail Project Great Streets TIF Note, in the amount of approximately \$1,935. The interest rate on the Note is 5.00%. The Note has a maturity date of June 1, 2035.

In May 2011, the Mayor executed the Howard Theatre 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

## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

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, 2017.

**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 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, HQ Hotel, LLC is to pay rent to the District and WCSA as follows:

- Rental payments to the District began 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. As of September 30, 2017, the monthly installments were \$46,823 (not in thousands). The installment will increase to \$280,939 (not in thousands) in June 2018.
- Rental payments to WCSA 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, 2017, the monthly installment was \$209,439 (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, 2017, the total outstanding guaranteed amount under credit enhancement facility agreements was \$5.5 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 2017, the District did not make any payments in connection with the credit enhancement facility agreements. In addition, as of September 30, 2017, 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 Terms/Date	Outstanding Amount at 9/30/2017 (in \$000s)
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
Mamie D. Lee, LLC	Guarantee to facilitate funding for the costs of renovation and construction of the 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
Paul Public Charter School	Guarantee to refinance certain debt and to finance the renovation and construction costs of the property located at 5800 8th Street, NW, Washington, DC	EagleBank	1,000	6/21/2017	Five years from the date of the credit enhancement closing	1,000
Total Outstanding Guaranteed Amount						\$ 5,500

## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

### Incremental Tax Revenue from Downtown TIF Area

The District secures the TIF Notes for certain projects by pledging to use a portion of the incremental tax revenues from the District's Downtown TIF area, if

necessary.

**Table N25** presents the projects, the TIF arrangements, and the estimate of future outflows as of September 30, 2017, under each TIF.

**Table N25 – 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 9/30/2017* (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 \$ 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 loan proceeds to purchase equipment and inventory, fund expansion and renovation costs, start-up costs, leasehold improvements and refinancing, and fulfill other approved business needs.

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 2017, the District did not make any payments in connection with the District of Columbia Collateral Support Program. In addition, as of September 30, 2017, 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, 2017, the total outstanding guaranteed amount under cash collateral agreements by DCCSP was \$6.2 million.



## NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N26 presents additional information regarding these guarantees.

**Table N26 – 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 9/30/2017 (in \$000s)
Broughton Construction Company, LLC	Line of Credit	\$ 750	4/1/2013	Industrial Bank	Ongoing	\$ 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	Ongoing	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	Ongoing	150
Absolute Builders	Term Loan	72	7/1/2014	United Bank	Ongoing	47
Baked by Yael, LLC	Term Loan	188	9/15/2014	Revere Bank	9/15/2021	183
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 of DC	Ongoing	88
Savage and Associates Law Group, PC	Line of Credit	125	4/13/2015	United Bank	Ongoing	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	25
First Choice Masonry, Inc.	Line of Credit	982	8/13/2015	United Bank	Ongoing	982
Jubilee Housing, Inc.	Line of Credit	450	8/27/2015	United Bank	Ongoing	225
Union Kitchen, LLC	Line of Credit	75	10/23/2015	Revere Bank	Ongoing	75
Hot Yoga Ivy City, LLC	Term Loan	66	11/9/2015	Washington Area Community Investment, Inc.	Ongoing	66
Solar Solution, LLC	Line of Credit	1,250	6/10/2016	First National Bank	Ongoing	1,250
SwatchRoom, LLC	Line of Credit	150	6/20/2016	Colombo Bank	Ongoing	150
Union Kitchen, LLC	Line of Credit	275	6/22/2016	Revere Bank	Ongoing	275
David's Stars Child Development Center, Inc.	Term Loan	25	9/6/2016	Latino Economic Development Corporation	Ongoing	25
Ice Cream Jubilee, LLC	Term Loan	75	9/6/2016	Revere Bank	Ongoing	75
VOW Transportation, LLC	Term Loan	21	2/28/2017	City First Bank of DC	09/01/2020	21
Lydia's House in South East	Line of Credit	75	4/3/2017	Industrial Bank	04/03/2018	75
<b>Total outstanding guaranteed amount</b>						<b>\$ 6,155</b>

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**NOTE 7. SHORT-TERM LIABILITIES**

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**TAX REVENUE ANTICIPATION NOTES**

Tax Revenue Anticipation Notes (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. When issued, operational and other costs are covered by the proceeds from the TRANs until periodic taxes, grants, and other revenues are received. The District did not issue any Tax Revenue Anticipation Notes in fiscal year 2017.

## 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, 2017 are presented in **Table N27**.

Table N27 – Summary of Long-Term Liabilities Outstanding as of September 30, 2017

(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, 2026; interest rates ranging from 4.50% to 6.00%	\$ 37,005
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%	5,530
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, 2037; interest rates ranging from 3.00% to 4.75%	21,080
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%	100,240
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%	107,940
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%	91,305
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%	424,355
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, 2038; interest rates ranging from 3.00% to 5.00%	379,255
Series 2014D, issued on October 23, 2014, in the amount of \$136,190, to refund all 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, 2033; interest rates ranging from 1.00% to 5.00%	115,230
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 rates ranging from 4.00% to 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, 2041; interest rates ranging from 1.75% to 5.00%	431,815
Series 2016B, issued on November 18, 2016, in the amount of \$190,145, of which \$99,985 was to refund all the District's outstanding Multimodal General Obligation Refunding Bonds Series 2014A; and \$90,160 to refund Income Tax Secured Revenue Refunding Bonds Series 2015A; final maturity date: June 1, 2039; variable rate bonds bearing interest at varying monthly rates (LIBOR Index rate)	190,140
Series 2016C, issued on November 18, 2016, in the amount of \$224,315, to refund all the District's outstanding Multimodal General Obligation Refunding Bonds Series 2014B; final maturity date: June 1, 2039; variable rate bonds bearing interest at varying monthly rates (LIBOR Index rate)	224,310
Series 2016D, issued on December 20, 2016, in the amount of \$398,910, to finance capital projects 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, 2041; interest rates ranging from 3.00% to 5.00%	398,910

## NOTE 8. LONG-TERM LIABILITIES

Series 2016E, issued on December 20, 2016, in the amount of \$190,635, to advance refund a portion of the District's outstanding general obligation bond 2007C series and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2033; interest rate: 5.00%	190,635
Series 2017A, issued on June 1, 2017, in the amount of \$563,520, to refund a portion of the District's general obligation bonds Series 2007A and Series 2007B, and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2037; interest rates ranging from 3.00% to 5.00%	563,520
<b>Total General Obligation Bonds</b>	<b>\$ 4,078,160</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)	\$ 710
Qualified Zone Academy Bonds, issued on May 29, 2008, in the amount of \$2,360; final maturity date: December 1, 2017 (non-interest bearing)	236
Qualified Zone Academy Bonds, issued on June 30, 2010, in the amount of \$4,143; final maturity date: December 1, 2024 (non-interest bearing)	2,209
<b>Total Qualified Zone Academy Bonds</b>	<b>\$ 3,155</b>
<b>Income Tax Secured Revenue Bonds:</b>	
Series 2009A, issued on March 19, 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%	\$ 408,010
Series 2009B, issued on March 19, 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%	231,120
Series 2009C, issued on September 3, 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%	96,190
Series 2009D, issued on December 22, 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%	21,160
Series 2009E, issued on December 22, 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; final maturity date: December 1, 2034; interest rates ranging from 4.34% to 5.59%	501,290
Series 2010A, issued on March 25, 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 on March 25, 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 on June 3, 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 on December 22, 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 on September 29, 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%	119,615
Series 2011B-E, issued on November 30, 2011, in the amount of \$241,735 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. Series 2011B, 2011C and 2011D were paid off in fiscal year 2016. The outstanding balance is related to the Series 2011E, which has a final maturity of December 1, 2026; interest rates: variable equal to an adjusted SIFMA rate (1.69% as of September 30, 2017)	56,525
Series 2011F-G, issued on December 22, 2011, in the amount of \$400,720, to pay for costs of capital projects and costs and expenses of issuing and delivering the Series 2011F-G Bonds; final maturity date: December 1, 2036; interest rates ranging from 2.00% to 5.00%	354,560
Series 2012A-B, issued on May 16, 2012, in the amount of \$314,110, 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%	281,050
Series 2012C-D, issued on November 28, 2012, in the amount of \$775,770, 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%	704,060

## NOTE 8. LONG-TERM LIABILITIES

Series 2014A, issued on September 10, 2014, in the amount of \$155,665, to currently refund the District's outstanding Series 2003 Certificates of Participation, and to advance refund the District's outstanding Series 2006 Certificates of Participation, 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%	122,190
Series 2014B, issued on November 25, 2014, in the amount of \$60,875 to currently refund the District's Series 2013A Income Tax Secured Revenue Refunding Bonds, and pay the costs and expenses of issuing and delivering the Series 2014B Bonds; final maturity date: December 1, 2033; interest rates: variable equal to an adjusted SIFMA rate (1.24% as of September 30, 2017)	51,025
<b>Total Income Tax Secured Revenue Bonds</b>	<b>\$ 4,030,695</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%	\$ 335,170
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>\$ 583,434</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%	\$ 42,680
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 5.91%	11,876
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%	38,130
<b>Total Tax Increment Financing (TIF) Bonds</b>	<b>\$ 92,686</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%	\$ 148,690
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, 2035; interest rates ranging from 4.63% to 5.00%	185,315
<b>Total Ballpark Revenue Bonds</b>	<b>\$ 334,005</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, 2025; interest rates ranging from 2.00% to 5.25%	\$ 56,170
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%	34,000
<b>Total Federal Highway Grant Anticipation Revenue Bonds (GARVEE)</b>	<b>\$ 90,170</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%	\$ 27,560
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 3.39% to 5.00%	46,590
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%	36,090
<b>Total Deed Tax Revenue Bonds (Housing Production Trust Fund Program)</b>	<b>\$ 110,240</b>



## NOTE 8. LONG-TERM LIABILITIES

### PILOT Revenue Bonds and Notes:

Anacostia Waterfront Corporation (AWC) PILOT Revenue Bonds, issued on September 20, 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% \$ 46,475

Southeast Federal Center PILOT Revenue Note (The Yards Project) Series 2014, issued on December 18, 2014, in the amount of \$34,800, to reimburse Forest City SEFC, LLC for the costs of 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, 2017 is \$20,330 13,776

Southwest Waterfront Project Revenue Bonds (The Wharf Project) Series 2015 issued on September 3, 2015, in the amount of \$145,445, to finance construction of public infrastructure at the Southwest Waterfront (the Wharf), a 24-acre mixed use project in Southwest Washington; final maturity date: June 1, 2040; interest rates ranging from 2.82% to 5.04% 145,445

**Total PILOT Revenue Bonds and Notes** \$ **205,696**

**Total Bonds and Notes** \$ **9,528,241**

### Other Long-Term Liabilities:

225 Virginia Avenue lease \$ 86,198

Premium on long-term debt 690,729

Equipment financing program 34,742

Accreted interest 265,801

Long-term tax refunds 168,241

Long-term payroll accrual 1,288

Annual leave 182,472

Disability compensation 121,186

Grant disallowances 11,970

Claims and judgments 121,825

Net pension liabilities 89,748

**Total Other Long-Term Liabilities** \$ **1,774,200**

**Total Long-Term Liabilities – Governmental Activities** \$ **11,302,441**

### Business-Type Activities

Obligation for unpaid prizes \$ 1,939

Compensated absences 446

Obligations under capital leases 36

Estimated third party settlements 4,683

Malpractice loss reserves 2,016

**Total Long-Term Liabilities – Business-Type Activities** \$ **9,120**

## 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, 2017.

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
2018	\$ 125,900	\$ 193,010	\$ 318,910
2019	145,055	186,629	331,684
2020	192,845	179,466	372,311
2021	178,440	170,213	348,653
2022	178,505	161,686	340,191
2023-2027	845,710	690,646	1,536,356
2028-2032	894,740	498,199	1,392,939
2033-2037	1,070,395	252,616	1,323,011
2038-2041	446,570	40,800	487,370
<b>Total</b>	<b>\$ 4,078,160</b>	<b>\$ 2,373,265</b>	<b>\$ 6,451,425</b>

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

(Dollars in \$000s)	
Year Ending September 30	Principal
2018	\$ 690
2019	454
2020	454
2021	454
2022	276
2023-2025	827
<b>Total</b>	<b>\$ 3,155</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
2018	\$ 154,505	\$ 195,697	\$ 350,202
2019	176,485	188,222	364,707
2020	153,815	180,795	334,610
2021	170,690	173,357	344,047
2022	197,610	164,577	362,187
2023-2027	1,277,260	650,061	1,927,321
2028-2032	1,121,205	334,532	1,455,737
2033-2037	727,340	90,818	818,158
2038	51,785	1,112	52,897
<b>Total</b>	<b>\$ 4,030,695</b>	<b>\$ 1,979,171</b>	<b>\$ 6,009,866</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
2018	\$ 41,120	\$ 22,255	\$ 63,375
2019	25,755	19,582	45,337
2020	28,070	17,908	45,978
2021	30,530	16,083	46,613
2022	31,225	14,099	45,324
2023-2026	178,470	34,816	213,286
2043-2046	159,733	1,697,592	1,857,325
2053-2055	88,531	2,478,469	2,567,000
<b>Total</b>	<b>\$ 583,434</b>	<b>\$ 4,300,804</b>	<b>\$ 4,884,238</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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	2,645	1,665	4,310
2023-2027	15,360	6,199	21,559
2028-2031	15,285	1,957	17,242
<b>Total</b>	<b>\$ 42,680</b>	<b>\$ 17,682</b>	<b>\$ 60,362</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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>\$ 11,876</b>	<b>\$ 10,655</b>	<b>\$ 22,531</b>

## NOTE 8. LONG-TERM LIABILITIES

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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	725	1,792	2,517
2023-2027	6,115	8,308	14,423
2028-2032	8,265	6,620	14,885
2033-2037	10,530	4,352	14,882
2038-2041	10,520	1,383	11,903
<b>Total</b>	<b>\$ 38,130</b>	<b>\$ 29,821</b>	<b>\$ 67,951</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
2018	\$ 2,245	\$ 18,343	\$ 20,588
2019	10,875	17,989	28,864
2020	3,055	17,610	20,665
2021	3,510	17,409	20,919
2022	3,995	17,178	21,173
2023-2027	82,915	76,069	158,984
2028-2032	136,505	45,353	181,858
2033-2036	90,905	8,941	99,846
<b>Total</b>	<b>\$ 334,005</b>	<b>\$ 218,892</b>	<b>\$ 552,897</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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	9,060	2,705	11,765
2023-2027	44,870	6,195	51,065
2028	3,890	97	3,987
<b>Total</b>	<b>\$ 90,170</b>	<b>\$ 23,731</b>	<b>\$ 113,901</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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	3,440	4,387	7,827
2023-2027	19,855	19,258	39,113
2028-2032	24,705	14,410	39,115
2033-2037	30,630	8,486	39,116
2038-2042	19,355	2,184	21,539
<b>Total</b>	<b>\$ 110,240</b>	<b>\$ 67,776</b>	<b>\$ 178,016</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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>\$ 46,475</b>	<b>\$ 5,753</b>	<b>\$ 52,228</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
2018	\$ -	\$ 363	\$ 363
2019	-	363	363
2020	13,776	61	13,837
<b>Total</b>	<b>\$ 13,776</b>	<b>\$ 787</b>	<b>\$ 14,563</b>

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

(Dollars in \$000s)			
Year Ending September 30	Principal	Interest	Total
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	4,705	6,380	11,085
2023-2027	26,820	29,126	55,946
2028-2032	33,000	22,942	55,942
2033-2037	41,795	14,144	55,939
2038-2040	30,445	3,121	33,566
<b>Total</b>	<b>\$ 145,445</b>	<b>\$ 102,135</b>	<b>\$ 247,580</b>

## NOTE 8. LONG-TERM LIABILITIES

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

Year Ending September 30	(Dollars in \$000s)		
	Principal	Interest	Total
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	4,666	4,608	9,274
2023-2027	28,679	17,689	46,368
2028-2032	37,035	6,243	43,278
<b>Total</b>	<b>\$ 86,198</b>	<b>\$ 49,816</b>	<b>\$ 136,014</b>

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

Year Ending September 30	(Dollars in \$000s)		
	Principal	Interest	Total
2018	\$ 18,690	\$ 564	\$ 19,254
2019	11,614	230	11,844
2020	4,438	48	4,486
<b>Total</b>	<b>\$ 34,742</b>	<b>\$ 842</b>	<b>\$ 35,584</b>

**Table N43** presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2017. 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 89.

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

Year Ending September 30	(Dollars in \$000s)			
	Principal	Interest	Hedging Derivatives, Net	Total
2018	\$ 8,570	\$ 3,841	\$ 7,656	\$ 20,067
2019	8,960	3,711	7,442	20,113
2020	43,270	3,568	7,106	53,944
2021	34,860	2,789	6,059	43,708
2022	36,400	2,293	5,006	43,699
2023-2027	148,175	5,686	12,701	166,562
<b>Total</b>	<b>\$ 280,235</b>	<b>\$ 21,888</b>	<b>\$ 45,970</b>	<b>\$ 348,093</b>

## NOTE 8. LONG-TERM LIABILITIES

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

Table N44 presents long-term debt activity for the year ended September 30, 2017:

Table N44 – Long-Term Debt Activity

	(Dollars in \$000s)				
	September 30, 2016	Additions	Reductions	September 30, 2017	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,829,305	\$ 1,567,525	\$ (1,318,670)	\$ 4,078,160	\$ 125,900
QZAB	3,845	-	(690)	3,155	690
Income tax secured revenue bonds	4,240,155	-	(209,460)	4,030,695	154,505
Tobacco settlement asset-backed bonds	600,974	-	(17,540)	583,434	41,120
Tax increment financing bonds	96,822	-	(4,136)	92,686	4,180
Ballpark revenue bonds	371,305	-	(37,300)	334,005	2,245
Federal highway grant anticipation revenue bonds (GARVEE)	97,420	-	(7,250)	90,170	7,550
Deed tax revenue bonds (housing production trust fund program)	112,965	-	(2,725)	110,240	2,850
PILOT revenue bonds	214,213	2,263	(10,780)	205,696	8,570
225 Virginia Avenue lease	89,531	-	(3,333)	86,198	3,565
Premium on long-term debt	580,293	177,403	(66,967)	690,729	63,299
Equipment financing program	61,139	-	(26,397)	34,742	18,690
Accreted interest	235,721	30,080	-	265,801	-
Capital leases	1,837	-	(1,837)	-	-
Long-term tax refunds	135,566	36,075	(3,400)	168,241	-
Long-term payroll accrual	10,538	-	(9,250)	1,288	-
Annual leave	170,205	12,836	(569)	182,472	180,264
Disability compensation	130,438	12,383	(21,635)	121,186	-
Grant disallowances	15,189	-	(3,219)	11,970	-
Claims and judgments	145,974	53,999	(78,148)	121,825	-
Net pension liabilities	242,189	-	(152,441)	89,748	-
<b>Total long-term liabilities - Governmental activities</b>	<b>\$ 11,385,624</b>	<b>\$ 1,892,564</b>	<b>\$ (1,975,747)</b>	<b>\$ 11,302,441</b>	<b>\$ 613,428</b>
<b>Business-Type activities:</b>					
Obligation for unpaid prizes	\$ 2,336	\$ -	\$ (397)	\$ 1,939	\$ 410
Compensated absences	443	447	(444)	446	18
Capital lease obligations	36	-	-	36	36
Estimated third party settlements	8,949	4,736	(9,001)	4,683	-
Malpractice loss reserves	2,204	941	(1,130)	2,016	-
<b>Total long-term liabilities - Business-Type activities</b>	<b>\$ 13,968</b>	<b>\$ 6,124</b>	<b>\$ (10,972)</b>	<b>\$ 9,120</b>	<b>\$ 464</b>



## NOTE 8. LONG-TERM LIABILITIES

### NEW BOND ISSUANCE

#### General Obligation Bonds

In December 2016, the District issued \$398,910 Series 2016D General Obligation Bonds. The proceeds of the Series 2016D Bonds were used to finance capital project expenditures under the District's capital improvements plan, and pay the costs and expenses of issuing the Bonds. 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 interest rate pertaining to the Series 2016D Bonds ranges from 3.00% to 5.00%.

#### 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 4.98% in fiscal year 2017. The weighted average interest rate on the District's variable rate bonds for fiscal year 2017 was 1.21%.

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

During fiscal year 2017, the District collected \$2,512,522 in Income and Business Franchise Taxes. Of this amount, \$366,876, or 14.60%, was held in the General Fund for the payment of debt service on outstanding Income Tax Secured Revenue Bonds in fiscal year 2018. The anticipated debt service amount for fiscal year 2018 is \$350,202. Therefore, total available tax revenues collected and set aside in the General Fund in fiscal year 2017 cover the total amount of anticipated debt service for fiscal year 2018 as presented in **Table N45**:

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

Available Tax Revenues Collected in FY 2017 (Dollars in \$000s)		
Individual Income	\$	1,958,277
Business Franchise		554,245
<b>Total</b>	<b>\$</b>	<b>2,512,522</b>
Amount Held in Escrow for FY 2018		
Debt Service	(a)	366,876
FY 2018 Debt Service Amount	(b)	350,202
<b>Rate of Coverage (c)=(a)/(b)</b>		<b>105%</b>

In fiscal year 2017, debt service on the Income Tax Secured Revenue Bonds totaled \$319,842. The debt

service coverage ratio was 7.86 to 1: Total available taxes of \$2,512,522, divided by FY 2017 debt service of \$319,842.

#### REFUNDINGS AND BOND DEFEASANCES

In November 2016, the District issued \$190,145 Series 2016B and \$224,315 Series 2016C Multimodal General Obligation Refunding Bonds (new variable rate bonds). The Series 2016B Bonds were issued to current refund/replace Series 2014A Multimodal General Obligation Refunding Bonds and Series 2015A Income Tax Secured Revenue Refunding Bonds (Adjusted SIFMA Rate). The Series 2016C Bonds were used to current refund/replace the Series 2014B Multimodal General Obligation Refunding Bonds. The District completed these transactions to establish a new mandatory tender date (November 2021) with the 2016B and 2016C bonds as they replaced the prior amortization schedules of the Series 2014A Bonds, Series 2014B Bonds and Series 2015A Bonds. In this situation, the refunding/replacement of the original variable rate bonds with new variable rate bonds at the time of refunding produced no economic gain or loss as well as no estimated aggregate difference in debt service.

In December 2016, the District issued \$190,635 Series 2016E General Obligation Refunding Bonds. The proceeds of the Series 2016E Bonds were placed in an irrevocable escrow account to pay, when due, principal and interest on the refunded bonds, Series 2007C. The advance refunding produced an aggregate difference in debt service of \$25,608 and an economic gain of \$20,230.

In June 2017, the District issued \$563,520 Series 2017A General Obligation Refunding Bonds. The proceeds of the bonds were used to current refund a portion of the District's Series 2007A General Obligation Bonds outstanding and all the Series 2007B General Obligation Refunding Bonds. The current refunding produced an aggregate difference in debt service of \$147,020 and an economic gain of \$103,366.

As of September 30, 2017, the total amount of defeased debt outstanding held by the escrow agent was \$207,920. This amount has been removed from the government-wide financial statements.

#### REDEMPTION: BALLPARK REVENUE BONDS

In fiscal year 2017, the District paid \$37,300 of principal on the outstanding Ballpark Revenue Bonds, Series 2006A-1, 2006A-2 and 2006B-1. The payments include the redemption of \$35,420 of principal prior to its scheduled maturity. The additional payments were possible because the Series 2006B-1 Bonds became callable in 2017. The additional payments were made from surplus revenues dedicated to the payment of 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. 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 current 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 current 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 bonds.

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

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

Series	Par Outstanding (in \$000s)	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2016B	\$ 190,140	6/1/2039	LIBOR Reset / Monthly Pay	Bank of America, N.A.	11/18/2016	11/12/2021
2016C	224,310	6/1/2039	LIBOR Reset/ Monthly Pay	Bank of America, N.A.	11/18/2016	11/12/2021
<b>Total</b>	<b>\$ 414,450</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, 2017, the District had financed approximately \$537 million of its capital equipment needs through the Master Equipment Lease Purchase Program since inception, and had approximately \$34.74 million in principal outstanding. Payments are made on a quarterly basis. The average interest rate used to finance equipment through this program from inception was 3.93%. The final payment associated with this program is due on June 5, 2020. The capital improvement plan for fiscal years 2017 through 2022 initiates a short-term financing program that will replace the current equipment financing program.

#### Obligation for Unpaid Prizes

The Office of Lottery and Charitable Games (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, 2017, MUSL purchased for the Lottery, U.S. government securities totaling \$2,010 to fund future installment payments to winners. The market value of these securities as of September 30, 2017, was \$1,939. 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 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 bonds were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was \$10,000.

## NOTE 8. LONG-TERM LIABILITIES

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 were 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. 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 defeased and therefore has been removed as a liability from WCSA's financial statements. The amount was fully paid by the Trustee on October 1, 2016.

**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 September 30	Principal	Interest	Total
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	25,725	25,608	51,333
2023-2027	152,020	107,052	259,072
2028-2032	172,565	62,626	235,191
2033-2037	71,970	31,685	103,655
2038-2040	70,635	6,337	76,972
<b>Subtotal</b>	<b>583,140</b>	<b>347,814</b>	<b>930,954</b>
Add:			
Unamortized bond			
Premium - net	9,791	-	9,791
<b>Total</b>	<b>\$ 592,931</b>	<b>\$ 347,814</b>	<b>\$ 940,745</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) investment 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 2017

During fiscal years 2010 through 2017, 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 2017, 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.

## NOTE 8. LONG-TERM LIABILITIES

**Table N48 – Housing Finance Agency Debt Service Requirements to Maturity**

(Dollars in \$000s)

Year Ending September 30	Principal	Interest	Total
2018	\$ 21,569	\$ 42,334	\$ 63,903
2019	70,193	41,058	111,251
2020	14,206	40,177	54,383
2021	12,380	39,607	51,987
2022	13,446	39,013	52,459
2023-2027	77,082	184,851	261,933
2028-2032	109,293	165,990	275,283
2033-2037	202,002	124,124	326,126
2038-2042	115,899	98,780	214,679
2043-2047	278,769	75,189	353,958
2048-2052	193,330	20,038	213,368
2053-2057	24,276	1,299	25,575
<b>Subtotal</b>	<b>1,132,445</b>	<b>872,460</b>	<b>2,004,905</b>
Add:			
Unamortized Bond			
Premium - Net	1,532		1,532
<b>Total</b>	<b>\$ 1,133,977</b>	<b>\$ 872,460</b>	<b>\$ 2,006,437</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 (CSRS)*

##### **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. As of September 30, 2017, there were 1,504 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, 2017, 2016, and 2015, were \$9,167, \$9,594, and \$10,240, 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 \$127,200 (not in thousands) for 2017, 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, 2017, 2016 and 2015, were \$97,599, \$89,350, and \$81,295, respectively. In addition, District contributions for Medicare for fiscal years 2017, 2016 and 2015 were \$37,771, \$35,670, and \$32,470, 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: <https://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 applies.

*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, 2017 and 2016.

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

TRF *	2017	2016
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	3,899	3,882
Active plan members	5,199	5,141
Vested terminations	1,330	1,176
<b>Total</b>	<b>10,428</b>	<b>10,199</b>

POFRF *	2017	2016
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	3,215	3,003
Active plan members	5,312	5,359
Vested terminations	340	293
<b>Total</b>	<b>8,867</b>	<b>8,655</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 Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act of 1998. The amount of the District contributions for fiscal years 2017 and 2016 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 2017 and 2016. 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, 2017	\$ 56,781	\$ 145,631
September 30, 2016	44,469	136,115

### Net Pension Liability

The District's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016. **Table N50** presents the aggregate amounts of the District Retirement Funds as of September 30, 2017.

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

Description	(in \$000s)	
	TRF	POFRF
Total pension liabilities	\$ 2,160,347	\$ 4,957,340
Pension net position	2,070,599	5,684,442
Deferred outflows of resources	81,938	245,427
Deferred inflows of resources	149,237	555,339
Pension expense	43,194	108,966
Net pension liabilities (assets)	89,748	(727,102)

**Actuarial Assumptions:** The total pension liability was determined based on an actuarial valuation as of October 1, 2016, then updated using actuarial assumptions presented in **Table N51**, applied to all periods included in the measurement and rolled forward to the measurement date as of September 30, 2017. **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, 2017**

	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 RPH 2014 Blue Collar Mortality Table generationally projected with Scale BB, set back 1 year for males. Post-disability mortality rates were based on the RPH 2014 Disabled Mortality Table set back 6 years for males and set forward 1 year for females.	Pre-retirement and post-retirement mortality rates were based on the RPH 2014 Blue Collar Mortality Table generationally projected with Scale BB, set back 1 year for males.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of the most recent actuarial experience investigation for the period October 1, 2011 to September 30, 2015, dated July 18, 2017.

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 geometric 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	20.00%	5.50%
Foreign Equity (Developed)	16.00%	5.30%
Foreign Equity (Emerging)	10.00%	7.80%
Investment Grade Bonds	11.00%	1.50%
Treasury Inflation-Protected Securities (TIPS)	6.00%	1.50%
High Yield Bonds	4.00%	4.00%
Bank Loans	3.00%	3.50%
Foreign Bonds (Developed)	2.00%	0.40%
Emerging Markets Debt (Local)	4.00%	3.90%
Real Estate	6.00%	4.90%
Natural Resources (Private)	2.00%	6.40%
Infrastructure	3.00%	5.40%
Private Equity	9.00%	7.20%
Hedge Funds	4.00%	3.30%
<b>Total</b>	<b>100.00%</b>	

**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

## NOTE 9. RETIREMENT PROGRAMS

made at the current contribution rate and that the District contributions will be made in accordance with the Board's funding policy adopted in 2012. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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, 2017.

Table N53 – Changes in Net Pension Liability

	Increase (Decrease) (in \$000s)					
	Teachers' Retirement Fund			Police Officers' and Firefighters' Retirement Fund		
	Plan			Plan		
	Total Pension Liability (a)	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 9/30/2016</b>	\$ 2,064,138	\$ 1,821,949	\$ 242,189	\$ 4,675,562	\$ 4,954,631	\$ (279,069)
<b>Changes for the year</b>						
Service cost	65,911	-	65,911	196,629	-	196,629
Interest	131,657	-	131,657	300,626	-	300,626
Difference between expected and actual experience	(37,230)	-	(37,230)	(188,549)	-	(188,549)
Changes of assumptions	14,106	-	14,106	67,256	-	67,256
Contributions - employer	-	56,781	(56,781)	-	145,631	(145,631)
Contributions - employees	-	34,364	(34,364)	-	33,424	(33,424)
Net investment income	-	239,554	(239,554)	-	655,310	(655,310)
Benefit payments including refunds of employee contributions	(78,235)	(78,235)	-	(94,184)	(94,184)	-
Administrative expenses	-	(4,721)	4,721	-	(12,838)	12,838
Other income	-	907	(907)	-	2,468	(2,468)
Net changes	96,209	248,650	(152,441)	281,778	729,811	(448,033)
<b>Balances at 9/30/2017</b>	<b>\$ 2,160,347</b>	<b>\$ 2,070,599</b>	<b>\$ 89,748</b>	<b>\$ 4,957,340</b>	<b>\$ 5,684,442</b>	<b>\$ (727,102)</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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Teachers' Plan's Net Pension Liability (Asset)	\$ 442,350	\$ 89,748	\$ (190,869)
Police Officers' and Firefighters' Plan's Net Pension Liability (Asset)	215,463	(727,102)	(1,467,631)

**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, 2017, the District recognized pension expense of \$43,194 and \$108,966 for TRF and POFRF, respectively. **Table N55** presents deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2017.

## 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	\$ 392	\$ 22,459	\$ -	\$ 209,154
Changes of assumptions	8,052	-	52,210	-
Net difference between projected and actual earnings on plan investments	73,494	126,778	193,217	346,185
<b>Total</b>	<b>\$ 81,938</b>	<b>\$ 149,237</b>	<b>\$ 245,427</b>	<b>\$ 555,339</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
2018	\$ (8,000)	\$ (46,582)
2019	(534)	(46,582)
2020	(34,006)	(136,116)
2021	(24,759)	(80,406)
2022	-	(225)

**Payable to the Pension Plans**

The District's contributions for fiscal years 2017, 2016, and 2015 were equal to the fund's independent actuary's recommendation; therefore, there were no outstanding amounts due to the plans as of September 30, 2017.

**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. As of September 30, 2017, there were 17,837 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, 2017, 2016, and 2015, District's contributions to the plan were \$65,133, \$60,382, and \$54,174, 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 2017. 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 2017. As of September 30, 2017, there were 3,346 employees participating in the Section 403(b) plan. District employees contributed \$21,377 to this annuity plan in fiscal year 2017. 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 2017. 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, 2017, there were 13,007 employees participating in the Section 457 plan. District employees contributed \$61,479 to this plan in fiscal year 2017. 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. As of September 30, 2017, the Plan had 1,359 members. 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 was performed as of September 30, 2016. The purpose of the valuation was to provide an estimate of the actuarial accrued liabilities of the plan and the Annual Required Contribution (ARC) in accordance with GASB Statement No. 43. The District pays contributions based on an actuarially determined valuation using the parameters of GASB Statement No. 45, as presented in the Schedule of Employer Contributions.

For fiscal year 2017, the District contributed \$31 million to the plan and retiree (participant) contributions totaled \$521,466 (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

## NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

family members of an annuitant with 30 or less years of creditable District service; and the family members of an annuitant with 30 or more years of creditable District service pays up to 60% of the cost of the selected health benefit plan.

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

Covered family members of Police Officer 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, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	19 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	5.90% (grading down to 3.90% in 2040, using the Society of Actuaries 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 2017 (in \$000s)	FY 2016 (in \$000s)	FY 2015 (in \$000s)
Annual required contribution	\$ 31,000	\$ 29,000	\$ 91,400
Interest on net OPEB obligation	700	700	700
Adjustment to annual required contribution	(700)	(10,706)	(700)
Annual OPEB cost (expense)	31,000	18,994	91,400
Contributions made	31,000	29,000	91,400
Change in net OPEB obligation	-	10,006	-
Net OPEB obligation – beginning of year	-	(10,006)	(10,006)
Net OPEB obligation – end of year*	\$ -	\$ -	\$ (10,006)

\* No net OPEB obligations in fiscal years 2016 and 2017 because OPEB was overfunded per the actuarial report for those years

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 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 2015 through 2017)**

Fiscal Year Ended	Annual OPEB Cost (millions)	% of Annual OPEB Cost Contributed	Net OPEB Obligation (millions)*
09/30/17	\$ 31.00	100%	\$ -
09/30/16	19.00	100%	-
09/30/15	91.40	100%	(10.00)

\* No net OPEB obligations in fiscal years 2016 and 2017 because OPEB is overfunded per the actuarial report for those years

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

Using the most recent (September 30, 2016) actuarial valuation results, the September 30, 2016 estimated actuarial liability is \$1,115,800 and the actuarial value of plan assets is \$1,248,300 resulting in an estimated funding excess of \$132,500. The estimated covered payroll is \$1,771,335 and the ratio of the excess funding to covered payroll is 7.48%. The Plan is 111.87% 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, 2016, 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 5.90% grading down to 3.90% in 2040, using the Society of Actuaries Getzen Medical Trend Model. 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, 2017, was 19 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 11.98% with net investment income of \$150,516 during fiscal year 2017.

## NOTE 11. FUND BALANCE/NET POSITION

Fund balances as of September 30, 2017, are shown in **Table N60a**.

Table N60a – Schedule of FY 2017 Fund Balance

	(Dollars in \$000s)					
	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>						
<b>Nonspendable</b>						
Inventory	\$ 14,969	\$ -	\$ -	\$ -	\$ -	14,969
<b>Total Nonspendable Fund Balance</b>	14,969	-	-	-	-	14,969
<b>Restricted for:</b>						
Emergency and Contingency						
Cash Reserves	413,901	-	-	-	-	413,901
Debt Service - Bond Escrow	542,081	-	-	-	-	542,081
Budget	40,063	-	-	-	-	40,063
Purpose Restrictions	95,661	133,129	-	-	-	228,790
Payment-in-Lieu of Taxes	-	-	-	-	70,941	70,941
Tobacco Settlement	-	-	-	-	78,603	78,603
Tax Increment Financing Program	28,362	-	-	-	48,711	77,073
Housing Production Trust	-	-	236,988	-	-	236,988
Highway Projects	-	-	-	-	53,710	53,710
Baseball Special Revenue	-	-	-	-	53,743	53,743
<b>Total Restricted Fund Balance</b>	1,120,068	133,129	236,988	-	305,708	1,795,893
<b>Committed to:</b>						
Fiscal Stabilization Reserve	185,763	-	-	-	-	185,763
Cash Flow Reserve	592,346	-	-	-	-	592,346
Budget Support Act	41,994	-	-	-	-	41,994
Commodities Cost Reserve	4,205	-	-	-	-	4,205
Soccer Stadium	21,206	-	-	-	-	21,206
Dedicated Taxes	19,233	-	-	-	-	19,233
WMATA Operations Fund	35,777	-	-	-	-	35,777
Subsequent Years Expenditures	438,607	-	-	-	-	438,607
Other Special Purposes	202,123	-	-	-	-	202,123
<b>Total Committed Fund Balance</b>	1,541,254	-	-	-	-	1,541,254
<b>Unassigned</b>	-	-	-	(642,032)	-	(642,032)
<b>Total Fund Balance</b>	<b>\$ 2,676,291</b>	<b>\$ 133,129</b>	<b>\$ 236,988</b>	<b>\$ (642,032)</b>	<b>\$ 305,708</b>	<b>\$ 2,710,084</b>



## NOTE 11. FUND BALANCE/NET POSITION

The net position of the proprietary and fiduciary funds as of September 30, 2017 is shown in **Table N60b**.

**Table N60b – Schedule of FY 2017 Net Position, Proprietary and Fiduciary Funds**

(Dollars in \$000s)				
Net Position	Lottery & Games	Unemployment Compensation Fund	Not-for- Profit Hospital Corporation	Fiduciary Funds
Invested in capital assets	\$ 350	\$ -	\$ 79,350	\$ -
Restricted	-	397,252	19,121	9,655,767
Unrestricted	4,247	-	6,938	-
<b>Total Net Position</b>	<b>\$ 4,597</b>	<b>\$ 397,252</b>	<b>\$ 105,409</b>	<b>\$ 9,655,767</b>

## NOTE 12. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatement Disclosures*, defines tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which: (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

GASB Statement No. 77 identified three features that, in combination, set tax abatements apart from tax expenditures in general: 1) the purpose of the tax abatements; 2) the type of revenue they reduce; and 3) the existence of an agreement with a specific individual or entity as the basis for the abatement. This agreement must precede the reduction of taxes and the fulfillment by the individual or entity of the promise to act.

Many tax expenditure programs exhibit the features of tax abatement programs. For instance, they reduce taxes, encourage beneficial actions by individuals or entities, and may be based on agreements. Nevertheless, these programs are excluded from the scope of GASB Statement No. 77 because although the District commits to abating tax, such commitment is made after the individual or entity has performed the required activity associated with the requested tax abatement. Most of the tax expenditure programs require individuals or entities to perform certain activities and subsequently apply for the tax reduction. The District then approves or denies the application. Such programs, even when an agreement exists, are not classified as tax abatement programs in accordance with GASB Statement No. 77.

The District of Columbia provides tax abatements through its Special Tax Incentives Program. The program provides real property tax abatements and possessory interest tax abatements which are both administered by the Office of the Deputy Mayor for Planning and Economic Development

(DMPED) in coordination with the OCFO's Office of Tax and Revenue (OTR). The real property tax abatements are designed to encourage construction, improvement, and development of housing units including affordable housing units, commercial and retail centers in the District. The real property tax abatements also encourage developers to enter into First Source Agreements with the Department of Employment Services, comply with local, small, and disadvantaged business enterprise commitments, and provide additional job opportunities and job training to the District residents. The possessory interest tax abatements are designed to provide support for construction, maintenance, and operating activities of major project developments in the District.

For the real property tax abatements, the District may: (a) abate the entire real property tax for a certain number of years (for example, 10 or 20 years), (b) abate the real property tax in excess of a certain amount for a certain number of years, or (c) put a cap on the annual real property tax for a certain number of years. For the possessory interest tax abatements, the District enters into ground lease agreements that either provide abatement of the possessory interest tax for a number of years and gradually increase this tax thereafter, or return paid possessory interest tax as a grant to the developer.

The special tax incentives program is established under the D.C. Code, Title 2, Government Administration; Chapter 12, Business and Economic Development, and D.C. Code, Title 47, Taxation, Licensing, Permits, Assessments, and Fees; Chapter 10 Property Exempt from Taxation, and Chapter 46, Special Tax Incentives.

For the fiscal years ended September 30, 2016 and 2017, the District abated taxes (real property taxes and possessory interest taxes) totaling \$7.6 million and \$6.7 million, respectively. **Table N61** presents the aggregate amounts of taxes abated during fiscal years 2016 and 2017.

Table N61 - Tax Abatement Programs

Tax Abatement Programs	(Dollars in \$000s)	
	Fiscal Year 2017	Fiscal Year 2016
Special Tax Incentives Program		
Real Property Tax	\$ 6,575	\$ 6,891
Possessory Interest tax	158	725
<b>Total</b>	<b>\$ 6,733</b>	<b>\$ 7,616</b>

## NOTE 13. 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, 2017, is shown in **Table N62a**.

**Table N62a – Summary of Grants Provided to WMATA**

Type	(Dollars in \$000s)	
	Local	Capital
Operating grants	\$ 349,414	\$ -
School Transit Subsidy	18,600	-
Capital grants	-	126,784
<b>Total</b>	<b>\$ 368,014</b>	<b>\$ 126,784</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 N62b** 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 N62b – Summary of Financial Statements for WMATA as of and for the Year Ended June 30, 2017**

Financial Position (in \$000s)	
Total assets	\$ 13,512,926
Total deferred outflows of resources	449,516
Total liabilities	(3,470,513)
Total deferred inflows of resources	(140,573)
<b>Net position</b>	<b>\$ 10,351,356</b>

Operating Results (in \$000s)	
Operating revenues	\$ 788,813
Operating expenses	(2,756,894)
Nonoperating revenues, net	1,072,155
Revenue from capital contributions	722,213
<b>Change in net position</b>	<b>\$ (173,713)</b>

Change in Net Position (in \$000s)	
Net position, beginning of year	\$ 10,525,069
Change in net position	(173,713)
<b>Net position, end of year</b>	<b>\$ 10,351,356</b>

### B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2017, 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, \$138,128; and the University of the District of Columbia, \$87,298. The District did not provide subsidies to the Health Benefit Exchange Authority and the Housing Finance Agency.

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**NOTE 14. 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, 2017, totaled \$535,131, which comprised of \$452,201 in on-behalf payments to the DC Federal Pension fund and \$82,930 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 30, 2017, 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 responses to potential terrorist threats or other attacks. Since 2002, the District has expended a total of \$152,262 or 98% of the federal funding received for purposes

of emergency preparedness with no amounts being expended for such purposes during fiscal year 2017.

**C. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM**

The District participates in the federal government's Supplemental Nutrition Assistance Program (SNAP), which is designed to increase the food purchasing power of economically disadvantaged residents. SNAP expenditures totaled \$199,360 in fiscal year 2017.

**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 15. 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 \$1,837 in FY 2017.

### 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 \$147,982 in FY 2017.

### C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

The District liquidated all of its capital leases in FY 2017, and as such, there are no outstanding capital lease commitments. **Table N63** shows the future minimum lease payments for all operating leases having non-cancelable terms in excess of one year as of September 30, 2017.

**Table N63 – Schedule of Future Minimum Lease Commitments**

Year Ending September 30	(Dollars in \$000s)	
	Primary Government	
	Operating Leases	
	Facilities	Equipment
2018	\$ 91,714	\$ 3,901
2019	84,291	3,482
2020	80,655	943
2021	71,358	536
2022	63,795	45
2023-2027	234,554	-
2028-2032	49,881	-
2033-2037	8,006	-
2038-2042	890	-
2043-2047	1,032	-
2048-2049	496	-
<b>Minimum lease payments</b>	<b>\$ 686,672</b>	<b>\$ 8,907</b>



## NOTE 16. 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, 2017. 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, 2017, probable cumulative expenditures that may be disallowed by grantor agencies totaled \$11,970. 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, 2017, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was (\$35,450) 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, 2017.

### 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, 2017.

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 \$34,800.

In fiscal year 2017, there was a \$930 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 N64**.

**Table N64 - Summary of Changes in Claims and Judgments Accrual**

Description	(Dollars in \$000s)	
	Fiscal Year 2017	Fiscal Year 2016
<b>Liability at October 1</b>	<b>\$ 145,974</b>	<b>\$ 201,309</b>
Add: Claims incurred		
Lawsuits	21,961	55,300
Property tax appeals	32,038	34,747
Less: Claims payments/ adjustments		
Lawsuits	(47,040)	(135,589)
Property tax appeals	(31,108)	(9,793)
<b>Liability at September 30</b>	<b>\$ 121,825</b>	<b>\$ 145,974</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 rate of 1.75%, is accrued in the government-wide financial statements.

## NOTE 16. COMMITMENTS AND CONTINGENCIES

A summary of changes in this accrual is shown in Table N65.

**Table N65 – Summary of Changes in Disability Compensation Accrual**

Description	(Dollars in \$000s)	
	Fiscal Year 2017	Fiscal Year 2016
<b>Liability at October 1</b>	<b>\$ 130,438</b>	<b>\$ 127,537</b>
Claims incurred/adjustments	12,383	20,130
Less-benefit payments	(21,635)	(17,229)
<b>Liability at September 30</b>	<b>\$ 121,186</b>	<b>\$ 130,438</b>

## NOTE 17. SUBSEQUENT EVENTS

**A. GENERAL OBLIGATION BONDS**

In December 2017, the District issued \$521,705 in General Obligation Bonds, Series 2017D. These Bonds are a general obligation 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 and interest on the Bonds and any other outstanding general obligation parity bonds when due.

The proceeds of the Series 2017D Bonds will be used to: (1) pay or reimburse the District for capital project expenditures under the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Series 2017D Bonds. The interest rate pertaining to the Series 2017D Bonds range from 4.00% to 5.00%.

**B. GENERAL OBLIGATION DIRECT PURCHASE BONDS**

In November 2017, the District issued \$100,000 in Multimodal General Obligation Bonds, Series 2017B and \$99,935 in Multimodal General Obligation Refunding Bonds, Series 2017C Bonds. These Bonds

are a general obligation 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 and interest on the Bonds and any other outstanding general obligation parity bonds when due.

The proceeds of the Series 2017B Bonds will be used to pay or reimburse the District for capital project expenditures under the District's capital improvements plan. The proceeds of the Series 2017C Bonds will be used to refund the Series 2011E Income Tax Secured Revenue Refunding Bonds, and the Series 2014B Income Tax Secured Revenue Refunding Bonds. The Series 2017B Multimodal General Obligation Bonds and Series 2017C Multimodal General Obligation Refunding Bonds were issued in the SIFMA Index Mode.

The Series 2017B and Series 2017C Bonds were purchased by Royal Bank of Canada Municipal Products, LLC and the Final Index Rate Mandatory Repurchase date is December 1, 2022 for both series of bonds. **Table N66** provides an overview of each direct purchase obligation.

**Table N66 - Overview of Direct Purchase Obligation Refunding(s)**

Series	Par Outstanding	Final Maturity	Index	Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2017B	\$ 100,000	06/01/2042	SIFMA	Monthly Pay	RBC Municipal Products , LLC	11/21/2017	12/1/2022
2017C	99,935	06/01/2033	SIFMA	Monthly Pay	RBC Municipal Products , LLC	11/21/2017	12/1/2022
<b>Total</b>	<b>\$ 199,935</b>						

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**NOTE 17. SUBSEQUENT EVENTS**

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**C. DISTRICT OF COLUMBIA TAX INCREMENT REVENUE BOND**

On November 30, 2017, the District issued \$3,000 in Tax Increment Revenue Bond, Series 2017 for the City Market at O Street Phase II Project. Series 2017 Bond is a special obligation of the District, secured by the Downtown TIF, that is without recourse to the District, and payable solely from the available tax increment, the debt service fund and any other property constituting the trust estate pledged for the Series 2017 Bond. The proceeds of Series 2017 Bond will be used to reimburse the project developer for amounts expended to pay for a portion of eligible costs associated with the mixed-used development known as City Market at O Street. This was the second phase of a two-phase issuance, with the first issuance in November of 2011 in the amount of \$38,650. Interest on the Series 2017 Bond is 2.35% with a maturity date of November 1, 2027.

**D. GENERAL OBLIGATION BOND ANTICIPATION NOTES**

In December 2017, the District issued \$200,000 in General Obligation Bond Anticipation Notes, Series 2017 (Notes). These Notes are a general obligation 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 Notes when due. The Notes 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, premium, if any, and interest on the Notes and any other outstanding general obligation parity bonds when due.

The proceeds of the Series 2017 Notes will be used to finance capital project expenditures under the District's capital improvements plan. The Notes were issued in the Libor Index Mode as described in the Revolving Credit Agreement between the District of Columbia and U.S. Bank National Association and mature March 31, 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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



# SCHEDULE OF EMPLOYER CONTRIBUTIONS

Teachers' Retirement Fund Last Ten Fiscal Years (\$000s)										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 56,781	\$ 44,469	\$ 39,513	\$ 31,636	\$ 6,407	\$ -	\$ -	\$ -	\$ -	\$ 6,000
Contributions in relation to actuarially determined contribution	56,781	44,469	39,513	31,636	6,407	-	-	-	-	6,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 447,762	\$ 438,079	\$ 417,090	\$ 378,926	\$ 369,071	\$ 381,235	\$ 384,455	\$ 337,516	\$ 336,600	\$ 359,100
Contributions as a percentage of covered payroll	12.68%	10.15%	9.47%	8.35%	1.74%	0.00%	0.00%	0.00%	0.00%	1.67%

## 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	17 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 145,631	\$ 136,115	\$ 103,430	\$ 110,766	\$ 96,314	\$ 116,700	\$ 127,200	\$ 132,300	\$ 106,000	\$ 137,000
Contributions in relation to actuarially determined contribution	145,631	136,115	103,430	110,766	96,314	116,700	127,200	132,300	106,000	137,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 441,904	\$ 438,114	\$ 446,201	\$ 426,135	\$ 413,380	\$ 414,877	\$ 421,221	\$ 423,854	\$ 436,100	\$ 421,950
Contributions as a percentage of covered payroll	32.96%	31.07%	23.18%	25.99%	23.30%	28.13%	30.20%	31.21%	24.31%	32.47%

**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	17 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 Four Fiscal Years (\$000s)

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 65,911	\$ 61,599	\$ 53,297	\$ 50,409
Interest	131,657	124,370	118,378	112,204
Differences between expected and actual experience	(37,230)	2,656	(7,246)	-
Change in assumptions	14,106	-	-	-
Benefit payments, including refunds of employee contributions	(78,235)	(75,298)	(69,652)	(65,622)
Net change in total pension liability	96,209	113,327	94,777	96,991
<b>Total pension liability-beginning</b>	2,064,138	1,950,811	1,856,034	1,759,043
<b>Total pension liability-ending (a)</b>	<u>\$2,160,347</u>	<u>\$2,064,138</u>	<u>\$1,950,811</u>	<u>\$1,856,034</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 56,781	\$ 44,469	\$ 39,513	\$ 31,636
Contributions - employees	34,364	33,591	31,621	28,751
Net Investment Income	239,554	152,262	(72,647)	132,086
Benefit payments including refunds of employee contributions	(78,235)	(75,298)	(69,652)	(65,622)
Administrative expenses	(4,721)	(4,746)	(4,543)	(3,787)
Other	907	1,033	385	522
Net change in plan fiduciary net position	248,650	151,311	(75,323)	123,586
<b>Plan fiduciary net position-beginning</b>	1,821,949	1,670,638	1,745,961	1,622,375
<b>Plan fiduciary net position-ending (b)</b>	<u>\$2,070,599</u>	<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>\$ 89,748</u>	<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>	95.85%	88.27%	85.64%	94.07%
<b>Covered payroll</b>	\$ 447,762	\$ 438,079	\$ 417,090	\$ 378,926
<b>Net pension liability(asset) as a percentage of covered payroll</b>	20.04%	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 Four Fiscal Years**  
**(\$000s)**

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 196,629	\$ 198,020	\$ 192,114	\$ 176,102
Interest	300,626	282,285	257,943	235,097
Differences between expected and actual experience	(188,549)	(106,840)	(2,477)	-
Change in assumptions	67,256	-	-	-
Benefit payments, including refunds of employee contributions	(94,184)	(81,316)	(65,030)	(54,421)
Net change in total pension liability	281,778	292,149	382,550	356,778
<b>Total pension liability-beginning</b>	<b>4,675,562</b>	<b>4,383,413</b>	<b>4,000,863</b>	<b>3,644,085</b>
<b>Total pension liability-ending (a)</b>	<b>\$4,957,340</b>	<b>\$4,675,562</b>	<b>\$4,383,413</b>	<b>\$4,000,863</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 145,631	\$ 136,115	\$ 103,430	\$ 110,766
Contributions - employees	33,424	32,785	33,679	32,821
Net Investment Income	655,310	415,157	(187,283)	338,894
Benefit payments including refunds of employee contributions	(94,184)	(81,316)	(65,030)	(54,421)
Administrative expenses	(12,838)	(12,918)	(11,939)	(9,730)
Other	2,468	2,810	1,012	1,342
Net change in plan fiduciary net position	729,811	492,633	(126,131)	419,672
<b>Plan fiduciary net position-beginning</b>	<b>4,954,631</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>\$5,684,442</b>	<b>\$4,954,631</b>	<b>\$4,461,998</b>	<b>\$4,588,129</b>
<b>District's net pension liability(asset)-ending (a)-(b)</b>	<b>\$ (727,102)</b>	<b>\$ (279,069)</b>	<b>\$ (78,585)</b>	<b>\$ (587,266)</b>
<b>Plan fiduciary net position as a percentage of total pension liability (b)/(a)</b>	<b>114.67%</b>	<b>105.97%</b>	<b>101.79%</b>	<b>114.68%</b>
<b>Covered payroll</b>	<b>\$ 441,904</b>	<b>\$ 438,114</b>	<b>\$ 446,201</b>	<b>\$ 426,135</b>
<b>Net pension liability(asset) as a percentage of covered payroll</b>	<b>(164.54%)</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 Postemployment Benefits (OPEB) Program

An independent actuary performed an actuarial analysis of the Plan's assets and liabilities as of September 30, 2016, September 30, 2015 and September 30, 2014 to determine the future funding status of the Plan, which is outlined below.

	Valuation Date		
	September 30, 2016 (Projected from September, 2014 census)	September 30, 2015 (Projected from September, 2014 census)	September 30, 2014 (Projected from September, 2012 census)
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay, Closed	Level Percent of Pay, Closed	Level Percent of Pay, Closed
Remaining amortization period	19 years beginning with fiscal year end 2016	20 years beginning with fiscal year end 2016	28 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	6.50%	6.50%	7.00%
Discount rate	6.50%	6.50%	7.00%
Rate of salary increase	3.50% (plus merit scale)	3.50% (plus merit scale)	3.75% (plus merit scale)
Rate of medical inflation	5.90% (grading down to 3.90% in 2040, using the Society of Actuaries Getzen Medical Trend Model)	7.20% (grading down to 3.90% in 2040, using the Society of Actuaries Getzen Medical Trend Model)	8.00% (pre-Medicare) or 6.50% (post-Medicare), grading to 4.00% over 70 years

## SCHEDULE OF FUNDING PROGRESS

### Other Postemployment Benefits (OPEB) Program

(In millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (Funding Excess)	Funded Ratio*	Covered Payroll	UAAL as a Percentage of Covered Payroll*
9/30/2016	\$ 1,248	\$ 1,116	\$ (132)	111.83%	\$ 1,771	(7.45%)
9/30/2015	1,202	1,001	(201)	120.08%	1,607	(12.51%)
9/30/2014	1,037	1,188	151	87.29%	1,484	10.18%
9/30/2013	898	1,048	150	85.69%	1,441	10.41%
9/30/2012	693	920	227	75.33%	1,399	16.23%

\* The ratios may be different from the ratios in Note 10 due to rounding

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

### Other Postemployment Benefits (OPEB) Program

Last Three Fiscal Years

(\$000s)

	FY 2017	FY 2016	FY 2015
Annual required contribution	\$ 31,000	\$ 29,000	\$ 91,400
Interest on net OPEB obligation	700	700	700
Adjustment to annual required contribution	(700)	(10,706)	(700)
Annual OPEB cost (expense)	31,000	18,994	91,400
Contributions made	31,000	29,000	91,400
Change in net OPEB asset (obligation)	-	10,006	-
Net OPEB asset (obligation) – beginning of year	-	(10,006)	(10,006)
Net OPEB asset (obligation) – end of year*	\$ -	\$ -	\$ (10,006)

\* No net OPEB obligations in fiscal years 2016 and 2017 because OPEB was overfunded per the actuarial report for those years.



## 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, 2017  
(With Comparative Totals at September 30, 2016)  
(\$000s)**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,300,779	\$ 1,493,011
Receivables (net of allowances for doubtful accounts):		
Intergovernmental	4,347	7,143
Taxes	454,439	376,562
Accounts	213,917	205,200
Due from component units	8,937	24,596
Interfund	810,478	348,942
Inventories	14,969	11,631
Other current assets	5,959	3,154
Cash and cash equivalents (restricted)	955,489	885,217
Investments (restricted)	36,179	109,730
Total current assets	3,805,493	3,465,186
Long-term assets	99,125	104,852
<b>Total assets</b>	<b>\$ 3,904,618</b>	<b>\$ 3,570,038</b>
<b>LIABILITIES</b>		
Payables:		
Accounts	\$ 408,471	\$ 445,782
Compensation:		
Salaries and wages	131,175	116,014
Employee benefits	5,140	2,141
Payroll taxes	929	1,137
Other deductions	5,954	5,336
Interfund	21,469	21,725
Due to component units	13,766	16,874
Unearned revenue	66,559	61,587
Other	40,328	36,173
Accrued liabilities:		
Grant disallowances	-	2,946
Medicaid	156,691	152,279
Tax refunds	80,974	64,875
Other current liabilities	19,740	18,848
<b>Total liabilities</b>	<b>951,196</b>	<b>945,717</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues		
Property taxes	127,668	93,083
Others	149,463	142,149
<b>Total deferred inflows of resources</b>	<b>277,131</b>	<b>235,232</b>
<b>FUND BALANCES</b>		
Nonspendable	14,969	11,631
Restricted	1,120,068	1,030,895
Committed	1,541,254	1,325,895
Assigned	-	20,668
<b>Total fund balance</b>	<b>2,676,291</b>	<b>2,389,089</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 3,904,618</b>	<b>\$ 3,570,038</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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016)**  
**(\$000s)**

	2017	2016
<b>Revenues:</b>		
Taxes	\$ 7,328,658	\$ 7,099,825
Fines and forfeits	176,351	202,314
Licenses and permits	127,546	123,029
Charges for services:		
Public	282,921	269,275
Intergovernmental	846	723
Miscellaneous:		
Public	381,097	370,958
Investment income	9,238	7,732
Total revenues	<u>8,306,657</u>	<u>8,073,856</u>
<b>Expenditures:</b>		
Governmental direction and support	945,270	957,151
Economic development and regulation	382,625	404,313
Public safety and justice	1,188,291	1,227,558
Public education system	2,078,134	1,947,968
Human support services	1,949,127	1,860,387
Public works	358,929	339,856
Public transportation	368,014	359,097
Debt service:		
Principal	256,575	228,793
Interest	388,128	362,860
Fiscal charges	7,572	3,588
Total expenditures	<u>7,922,665</u>	<u>7,691,571</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>383,992</u>	<u>382,285</u>
<b>Other financing sources (uses):</b>		
Debt issuance	2,260	2,600
Refunding debt issuance	1,168,615	95,575
Premium on sale of bonds	123,053	-
Payment to refunded bond escrow agent	(1,287,378)	(95,120)
Transfers in	98,487	80,503
Transfers out	(202,278)	(259,616)
Sale of capital assets	451	15,800
Total other financing uses	<u>(96,790)</u>	<u>(160,258)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>287,202</u>	<u>222,027</u>
<b>Fund balance at October 1</b>	<u>2,389,089</u>	<u>2,167,062</u>
<b>Fund balance at September 30</b>	<u><u>\$ 2,676,291</u></u>	<u><u>\$ 2,389,089</u></u>

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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016)**  
**(\$000s)**

Function and Subfunction	Personnel Services	Contractual Services	Supplies	Occupancy	Miscellaneous *	Totals	
						2017	2016
<b>Governmental Direction and Support:</b>							
Legislative	\$ 23,591	\$ 3,009	\$ 130	\$ 621	\$ 696	\$ 28,047	\$ 26,798
Executive	81,356	38,467	698	4,570	2,368	127,459	128,926
Finance	103,639	35,672	252	1	182,247	321,811	319,221
Personnel	12,477	578	27	23	6	13,111	12,905
Administrative	117,655	94,678	4,027	226,383	1,750	444,493	459,597
Elections	7,938	2,224	178	5	4	10,349	9,704
Total	346,656	174,628	5,312	231,603	187,071	945,270	957,151
<b>Economic Development and Regulation:</b>							
Community development	30,755	14,564	271	2,939	115,555	164,084	153,733
Economic regulation	82,172	21,957	675	5,646	8,314	118,764	156,519
Employment services	36,443	22,437	441	2,640	37,816	99,777	94,061
Total	149,370	58,958	1,387	11,225	161,685	382,625	404,313
<b>Public Safety and Justice:</b>							
Police	515,400	64,964	5,291	1,431	135,696	722,782	785,859
Fire	206,282	26,049	4,427	42	49,850	286,650	278,332
Corrections	104,435	40,086	9,305	1,456	2,488	157,770	143,745
Protection	8,717	2,772	225	25	291	12,030	11,310
Law	8,467	470	66	1	55	9,059	8,312
Total	843,301	134,341	19,314	2,955	188,380	1,188,291	1,227,558
<b>Public Education System:</b>							
Schools	646,657	85,760	9,135	31,757	853,655	1,626,964	1,521,258
Culture	155,348	32,387	1,209	9,509	252,717	451,170	426,710
Total	802,005	118,147	10,344	41,266	1,106,372	2,078,134	1,947,968
<b>Human Support Services:</b>							
Health and welfare	357,353	154,903	7,351	59,016	1,223,055	1,801,678	1,719,085
Human relations	6,627	5,843	138	5	25,906	38,519	37,454
Employment benefits	61,864	-	-	-	-	61,864	58,789
Recreation	39,258	6,146	960	18	684	47,066	45,059
Total	465,102	166,892	8,449	59,039	1,249,645	1,949,127	1,860,387
<b>Public Works</b>	187,352	126,472	1,428	5,822	37,855	358,929	339,856
<b>Public Transportation</b>	-	-	-	-	368,014	368,014	359,097
<b>Debt Service</b>	-	-	-	-	652,275	652,275	595,241
<b>Net Financing Uses</b>	-	-	-	-	96,790	96,790	160,258
<b>Total expenditures and net uses</b>	<b>\$ 2,793,786</b>	<b>\$ 779,438</b>	<b>\$ 46,234</b>	<b>\$ 351,910</b>	<b>\$ 4,048,087</b>	<b>\$ 8,019,455</b>	<b>\$ 7,851,829</b>

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 [\$141,802], Public Charter Schools [\$779,505], UDC [\$77,671], PAYGO-Capital [\$133,298], Housing Authority [\$54,624], Mass Transit Subsidies [\$368,014], Highway Transportation Fund [\$26,181], and Housing Production Trust Fund [\$42,732].

Payments for: Dept. of Behavioral Health [\$53,100], Dept. of Health Care Finance [\$747,268], Dept. of Human Services [\$200,301], Child & Family Services [\$78,108], Dept. of Youth Rehabilitation [\$34,491], Disability Services [\$99,651], State Education [\$90,619], Non-Public Tuition [\$63,071], Equipment Lease-Operating [\$27,445], Repayment of Loans and Interest [\$622,151], Fire and Emergency Service [\$12,139], Commission of Arts and Humanities [\$15,828], Employees' Compensation Fund [\$8,235], Business Improvement District Transfer [\$27,404], Department of the Environment [\$33,370], Office of Aging [\$23,744], Dept. of Health [\$16,031], Public Schools [\$16,793], School Modernization [\$13,523], Dental and Optical Insurance Payments [\$11,217], Planning & Econ Development [\$22,413], Office of Victims & Justice Grants [\$23,494], Dept. of Housing and Community Development [\$8,695], Office of the CFO [\$5,981], Dept. of Insurance, Securities & Banking [\$18,509], and Department of General Services [\$10,358].

Exhibit A-4

**GENERAL FUND**  
**SCHEDULE OF LOCAL SOURCE REVENUES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended September 30, 2017**  
**(\$000s)**

Source	Budget		Actual	Variance
	Original	Revised		
<b>Taxes:</b>				
Property:				
Real	\$ 2,416,384	\$ 2,481,932	\$ 2,427,742	\$ (54,190)
Personal	60,529	61,382	63,305	1,923
Public space rental	38,247	36,479	32,468	(4,011)
Total	2,515,160	2,579,793	2,523,515	(56,278)
Sales and use:				
General	1,298,136	1,386,849	1,368,496	(18,353)
Alcoholic beverages	6,618	6,576	6,641	65
Cigarette	29,398	30,146	29,530	(616)
Motor vehicles	49,589	46,500	45,915	(585)
Motor fuel tax	24,754	25,133	26,098	965
Total	1,408,495	1,495,204	1,476,680	(18,524)
Income and franchise:				
Individual income	1,931,926	1,892,121	1,958,277	66,156
Corporation franchise	291,959	399,434	389,218	(10,216)
Unincorporated business	133,135	170,234	165,027	(5,207)
Total	2,357,020	2,461,789	2,512,522	50,733
Gross receipts:				
Public utility	138,459	128,059	130,186	2,127
Toll telecommunication	57,722	48,731	47,059	(1,672)
Insurance companies	51,576	63,235	62,745	(490)
Health care providers	37,511	35,669	34,899	(770)
Health care related incomes	46,300	45,022	46,194	1,172
Total	331,568	320,716	321,083	367
Other:				
Deed recordation	178,830	219,993	218,734	(1,259)
Deed transfers	127,849	164,297	162,602	(1,695)
Inheritance and estate	29,519	40,578	41,215	637
Economic interests	15,800	23,616	21,336	(2,280)
Total	351,998	448,484	443,887	(4,597)
<b>Total taxes</b>	<b>6,964,241</b>	<b>7,305,986</b>	<b>7,277,687</b>	<b>(28,299)</b>
<b>Licenses and Permits:</b>				
Business licenses	56,496	55,064	55,714	650
Nonbusiness permits	33,578	33,836	36,835	2,999
Total	90,074	88,900	92,549	3,649
<b>Fines and Forfeits</b>	<b>146,045</b>	<b>160,565</b>	<b>167,385</b>	<b>6,820</b>
<b>Charges for Services</b>	<b>80,512</b>	<b>75,507</b>	<b>81,371</b>	<b>5,864</b>
<b>Miscellaneous:</b>				
Interest	130	2,380	5,369	2,989
Other	106,018	98,541	140,839	42,298
<b>Total</b>	<b>106,148</b>	<b>100,921</b>	<b>146,208</b>	<b>45,287</b>
<b>Total Local Revenues</b>	<b>7,387,020</b>	<b>7,731,879</b>	<b>7,765,200</b>	<b>33,321</b>
<b>Transfers and Other sources:</b>				
General obligation bonds	6,000	6,000	5,565	(435)
Fund balance released from restrictions	139,551	197,214	-	(197,214)
Interfund transfer	70,662	100,329	91,456	(8,873)
<b>Total Transfers and Other Sources</b>	<b>216,213</b>	<b>303,543</b>	<b>97,021</b>	<b>(206,522)</b>
<b>Total Local Revenues and Sources</b>	<b>\$ 7,603,233</b>	<b>\$ 8,035,422</b>	<b>\$ 7,862,221</b>	<b>\$ (173,201)</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, 2017**  
**(\$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	\$ 2,515,160	\$ 2,579,793	\$ 2,523,515	\$ (56,278)	\$ -	\$ -	\$ -	\$ -	\$ 2,515,160	\$ 2,579,793	\$ 2,523,515	\$ (56,278)
Sales and use taxes	1,408,495	1,495,204	1,476,680	(18,524)	-	-	-	-	1,408,495	1,495,204	1,476,680	(18,524)
Income and franchise taxes	2,357,020	2,461,789	2,512,522	50,733	-	-	-	-	2,357,020	2,461,789	2,512,522	50,733
Gross receipts and other taxes	683,566	769,200	764,970	(4,230)	-	-	-	-	683,566	769,200	764,970	(4,230)
Total taxes	6,964,241	7,305,986	7,277,687	(28,299)	-	-	-	-	6,964,241	7,305,986	7,277,687	(28,299)
Licenses and permits	90,074	88,900	92,549	3,649	-	-	-	-	90,074	88,900	92,549	3,649
Fines and forfeits	146,045	160,565	167,385	6,820	-	-	-	-	146,045	160,565	167,385	6,820
Charges for services	80,512	75,507	81,371	5,864	-	-	-	-	80,512	75,507	81,371	5,864
Miscellaneous	106,148	100,921	146,208	45,287	-	-	-	-	106,148	100,921	146,208	45,287
Other sources	-	-	-	-	609,942	592,050	548,367	(43,683)	609,942	592,050	548,367	(43,683)
Bond proceeds	6,000	6,000	5,565	(435)	-	-	-	-	6,000	6,000	5,565	(435)
Fund balance released from restrictions	139,551	197,214	-	(197,214)	-	-	-	-	139,551	197,214	-	(197,214)
Interfund transfer-from lottery and games	55,500	45,000	45,600	600	-	-	-	-	55,500	45,000	45,600	600
Interfund transfer-others	15,162	55,329	45,856	(9,473)	-	-	-	-	15,162	55,329	45,856	(9,473)
Total Revenues and Sources	7,603,233	8,035,422	7,862,221	(173,201)	609,942	592,050	548,367	(43,683)	8,213,175	8,627,472	8,410,588	(216,884)
<b>Expenditures and Uses:</b>												
Governmental direction and support	718,343	736,007	726,567	9,440	70,494	43,334	33,202	10,132	788,837	779,341	759,769	19,572
Economic development and regulation	284,712	268,644	265,923	2,721	208,309	206,109	173,779	32,330	493,021	474,753	439,702	35,051
Public safety and justice	1,154,200	1,159,570	1,148,235	11,335	48,666	44,754	39,793	4,961	1,202,866	1,204,324	1,188,028	16,296
Public education system	1,996,076	1,781,895	1,770,187	11,708	16,272	25,587	5,130	20,457	2,012,348	1,807,482	1,775,317	32,165
Public education AY18 expenditure	-	282,919	282,919	-	-	-	-	-	-	282,919	282,919	-
Human support services	1,898,831	1,900,427	1,881,475	18,952	39,274	36,153	32,945	3,208	1,938,105	1,936,580	1,914,420	22,160
Public works	579,004	589,769	582,640	7,129	164,260	173,637	148,621	25,016	743,264	763,406	731,261	32,145
Workforce investments	18,025	-	-	-	-	-	-	-	18,025	-	-	-
Wilson building	4,369	4,369	4,210	159	-	-	-	-	4,369	4,369	4,210	159
Repayment of loans and interest	619,100	616,832	616,832	-	5,319	5,319	5,319	-	624,419	622,151	622,151	-
Repayment of revenue bonds	7,835	7,835	7,825	10	-	-	-	-	7,835	7,835	7,825	10
Debt service - issuance costs	6,000	6,000	5,721	279	-	-	-	-	6,000	6,000	5,721	279
Interest expense on short-term borrowing	1,250	-	-	-	-	-	-	-	1,250	-	-	-
Settlements and judgments fund	21,292	21,292	21,292	-	-	-	-	-	21,292	21,292	21,292	-
Convention center transfer	122,286	141,614	141,614	-	-	187	187	-	122,286	141,801	141,801	-
Highway transportation fund	24,754	26,099	26,099	-	-	-	-	-	24,754	26,099	26,099	-
Operating lease-equipment	29,381	27,445	27,445	-	-	-	-	-	29,381	27,445	27,445	-
Pay-as-you-go capital fund	66,614	76,410	76,410	-	53,928	56,970	56,970	-	120,542	133,380	133,380	-
Schools modernization fund	13,523	13,523	13,523	-	-	-	-	-	13,523	13,523	13,523	-
D.C. retiree health contribution	31,000	31,000	31,000	-	-	-	-	-	31,000	31,000	31,000	-
Non-departmental	3,804	-	-	-	3,420	-	-	-	7,224	-	-	-
Total Expenditures and Uses	7,600,399	7,691,650	7,629,917	61,733	609,942	592,050	495,946	96,104	8,210,341	8,283,700	8,125,863	157,837
<b>Excess of Revenues and Sources</b>												
<b>Over Expenditures and Uses</b>	<b>\$ 2,834</b>	<b>\$ 343,772</b>	<b>\$ 232,304</b>	<b>\$ (111,468)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 52,421</b>	<b>\$ 52,421</b>	<b>\$ 2,834</b>	<b>\$ 343,772</b>	<b>\$ 284,725</b>	<b>\$ (59,047)</b>

See Accompanying Report of Independent Public Accountants.

Exhibit A-6

**GENERAL FUND**  
**SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES**  
**Year Ended September 30, 2017**  
**(\$000s)**

	Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
<b>Revenues and Other Sources:</b>					
Taxes:					
Property	\$ 2,515,160	\$ 64,633	\$ 2,579,793	\$ 2,523,515	\$ 8,355
Sales and use	1,408,495	86,709	1,495,204	1,476,680	68,185
Income and franchise	2,357,020	104,769	2,461,789	2,512,522	155,502
Other taxes	683,566	85,634	769,200	764,970	81,404
Total taxes	6,964,241	341,745	7,305,986	7,277,687	313,446
Licenses and permits	90,074	(1,174)	88,900	92,549	2,475
Fines and forfeits	146,045	14,520	160,565	167,385	21,340
Charges for services	80,512	(5,005)	75,507	81,371	859
Miscellaneous	106,148	(5,227)	100,921	146,208	40,060
Other	609,942	(17,892)	592,050	548,367	(61,575)
Bond proceeds	6,000	-	6,000	5,565	(435)
Fund balance released from restriction	139,551	57,663	197,214	-	(139,551)
Interfund transfer-from lottery and games	55,500	(10,500)	45,000	45,600	(9,900)
Interfund transfer-others	15,162	40,167	55,329	45,856	30,694
<b>Total Revenues and Other Sources</b>	<b>8,213,175</b>	<b>414,297</b>	<b>8,627,472</b>	<b>8,410,588</b>	<b>197,413</b>
<b>Expenditures and Other Uses:</b>					
Governmental direction and support	788,837	(9,496)	779,341	759,769	29,068
Economic development and regulation	493,021	(18,268)	474,753	439,702	53,319
Public safety and justice	1,202,866	1,458	1,204,324	1,188,028	14,838
Public education system	2,012,348	(204,866)	1,807,482	1,775,317	237,031
Public education AY18 expenditure	-	282,919	282,919	282,919	(282,919)
Human support services	1,938,105	(1,525)	1,936,580	1,914,420	23,685
Public works	743,264	20,142	763,406	731,261	12,003
Workforce investments	18,025	(18,025)	-	-	18,025
Wilson building	4,369	-	4,369	4,210	159
Repayment of loans and interest	624,419	(2,268)	622,151	622,151	2,268
Repayment of revenue bonds	7,835	-	7,835	7,825	10
Debt service - issuance costs	6,000	-	6,000	5,721	279
Interest expense on short-term borrowing	1,250	(1,250)	-	-	1,250
Settlements and judgments fund	21,292	-	21,292	21,292	-
Convention center transfer	122,286	19,515	141,801	141,801	(19,515)
Highway transportation fund	24,754	1,345	26,099	26,099	(1,345)
Operating lease-equipment	29,381	(1,936)	27,445	27,445	1,936
Pay-as-you-go capital fund	120,542	12,838	133,380	133,380	(12,838)
Schools modernization fund	13,523	-	13,523	13,523	-
D.C. retiree health contribution	31,000	-	31,000	31,000	-
Non-departmental	7,224	(7,224)	-	-	7,224
<b>Total Expenditures and Other Uses</b>	<b>8,210,341</b>	<b>73,359</b>	<b>8,283,700</b>	<b>8,125,863</b>	<b>84,478</b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ 2,834</b>	<b>\$ 340,938</b>	<b>\$ 343,772</b>	<b>\$ 284,725</b>	<b>\$ 281,891</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 Project 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 Projects 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, 2017  
(With Comparative Totals at September 30, 2016)  
(\$000s)**

	Special Revenue Funds					Capital Projects Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	PILOT	Baseball Project	Debt Service Fund	Highway Trust	2017	2016
<b>ASSETS</b>								
<b>Current Assets:</b>								
Receivables (net of allowances for doubtful accounts):								
Taxes	\$ -	\$ -	\$ -	1,685	\$ -	2,318	\$ 4,003	\$ 3,845
Accounts	17	25,933	2,833	-	-	2,027	30,810	37,671
Due from other District entities	1,000	-	-	665	-	-	1,665	1,197
Interfund	6,117	-	3,510	5,749	-	-	15,376	7,785
Other current assets	-	15	-	-	-	-	15	20
Restricted cash and cash equivalents	44,590	11,613	56,276	47,319	-	58,801	218,599	259,184
Restricted investments	-	41,044	11,155	-	-	-	52,199	52,199
<b>Total assets</b>	<b>\$ 51,724</b>	<b>\$ 78,605</b>	<b>\$ 73,774</b>	<b>\$ 55,418</b>	<b>\$ -</b>	<b>\$ 63,146</b>	<b>\$ 322,667</b>	<b>\$ 361,901</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>								
<b>Current Liabilities:</b>								
Payables:								
Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	6,843	\$ 6,843	\$ 2,182
Compensation payable	-	-	-	-	-	111	111	74
Due to other funds	1,039	-	2,833	-	-	-	3,872	11,815
Due to other District entities	1,974	-	-	-	-	-	1,974	744
Other current liabilities	-	-	-	-	-	2,251	2,251	1,795
Accrued liabilities	-	2	-	102	-	6	110	167
<b>Total liabilities</b>	<b>3,013</b>	<b>2</b>	<b>2,833</b>	<b>102</b>	<b>-</b>	<b>9,211</b>	<b>15,161</b>	<b>16,777</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable revenues	-	-	-	1,573	-	225	1,798	1,546
<b>Fund Balances:</b>								
Restricted	48,711	78,603	70,941	53,743	-	53,710	305,708	343,578
<b>Total fund balances</b>	<b>48,711</b>	<b>78,603</b>	<b>70,941</b>	<b>53,743</b>	<b>-</b>	<b>53,710</b>	<b>305,708</b>	<b>343,578</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 51,724</b>	<b>\$ 78,605</b>	<b>\$ 73,774</b>	<b>\$ 55,418</b>	<b>\$ -</b>	<b>\$ 63,146</b>	<b>\$ 322,667</b>	<b>\$ 361,901</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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016)**  
**(\$000s)**

	Special Revenue Funds					Capital Projects Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	PILOT	Baseball Project	Debt Service Fund	Highway Trust	2017	2016
<b>Revenues:</b>								
Property taxes	\$ 19,760	\$ -	\$ 25,826	\$ -	\$ -	\$ -	\$ 45,586	\$ 33,887
Sales and use taxes	32,102	-	-	17,764	-	-	49,866	50,383
Gross receipts taxes	-	-	-	41,529	-	-	41,529	43,155
Interest	76	2,307	852	38	-	21	3,294	2,855
Tobacco settlement revenue	-	34,318	-	-	-	-	34,318	39,767
Other	-	-	-	5,913	-	-	5,913	6,338
Total revenues	51,938	36,625	26,678	65,244	-	21	180,506	176,385
<b>Expenditures:</b>								
Governmental direction and support	25,949	240	26,305	1,512	-	-	54,006	70,805
Capital outlay	-	-	-	-	-	40,734	40,734	23,545
Bond principal payment	4,137	17,263	10,780	-	37,300	-	69,480	125,607
Interest	6,852	23,395	9,340	-	19,937	-	59,524	63,331
Fiscal charges	-	277	-	-	-	-	277	144
Total expenditures	36,938	41,175	46,425	1,512	57,237	40,734	224,021	283,432
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	15,000	(4,550)	(19,747)	63,732	(57,237)	(40,713)	(43,515)	(107,047)
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	57,237	26,099	83,336	145,676
Transfers out	(18,936)	-	(1,518)	(57,237)	-	-	(77,691)	(132,159)
<b>Total other financing sources (uses)</b>	(18,936)	-	(1,518)	(57,237)	57,237	26,099	5,645	13,517
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(3,936)	(4,550)	(21,265)	6,495	-	(14,614)	(37,870)	(93,530)
<b>Fund Balances at October 1</b>	52,647	83,153	92,206	47,248	-	68,324	343,578	437,108
<b>Fund Balances at September 30</b>	<b>\$ 48,711</b>	<b>\$ 78,603</b>	<b>\$ 70,941</b>	<b>\$ 53,743</b>	<b>\$ -</b>	<b>\$ 53,710</b>	<b>\$ 305,708</b>	<b>\$ 343,578</b>

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 Postemployment 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, 2017**  
**(With Comparative Totals at September 30, 2016)**  
**(\$000s)**

	Retirement Funds			Totals	
	Police & Firefighters	Teachers	Other Postemployment Benefits (OPEB) Fund	2017	2016
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 64,541	\$ 23,675	\$ 82,058	\$ 170,274	\$ 88,512
Investments	5,628,706	2,046,711	1,299,091	8,974,508	7,902,524
Receivables:					
Due from federal government	1,161	427	-	1,588	2,884
Benefit contributions	4,961	5,237	-	10,198	4,855
Other current assets	38,058	13,840	3,606	55,504	23,397
<b>Total assets</b>	<b>5,737,427</b>	<b>2,089,890</b>	<b>1,384,755</b>	<b>9,212,072</b>	<b>8,022,172</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	4,415	1,626	18,473	24,514	36,408
Other current liabilities	48,570	17,665	-	66,235	11,743
<b>Total liabilities</b>	<b>52,985</b>	<b>19,291</b>	<b>18,473</b>	<b>90,749</b>	<b>48,151</b>
<b>NET POSITION</b>					
<b>Net Position</b>					
Held in trust for pension and OPEB benefits	\$ 5,684,442	\$ 2,070,599	\$ 1,366,282	\$ 9,121,323	\$ 7,974,021

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, 2017**  
**(With Comparative Totals for the Year Ended September 30, 2016)**

	Retirement Funds			Totals	
	Police & Firefighters	Teachers	Other Postemployment Benefits (OPEB) Fund	2017	2016
<b>Additions:</b>					
Benefit contributions:					
Employer	\$ 145,631	\$ 56,781	\$ 31,000	\$ 233,412	\$ 209,584
Plan members	33,424	34,364	521	68,309	66,806
Investment income:					
From investment activities					
Net increase in fair value of investments	637,888	233,210	141,292	1,012,390	605,477
Other loss	-	-	(1,288)	(1,288)	3,435
Interest and dividends	29,335	10,724	13,972	54,031	80,177
Less - investment expenses	(11,913)	(4,380)	(3,460)	(19,753)	(19,874)
Net gain from investing activities	655,310	239,554	150,516	1,045,380	669,215
Other Income	2,468	907	-	3,375	3,843
Total additions	836,833	331,606	182,037	1,350,476	949,448
<b>Deductions:</b>					
Benefit payments	94,184	78,235	12,892	185,311	166,658
Administrative expenses	12,838	4,721	304	17,863	17,956
Total deductions	107,022	82,956	13,196	203,174	184,614
<b>Change in net position</b>	<b>729,811</b>	<b>248,650</b>	<b>168,841</b>	<b>1,147,302</b>	<b>764,834</b>
<b>Net position held in trust for pension and OPEB benefits:</b>					
October 1	4,954,631	1,821,949	1,197,441	7,974,021	7,209,187
September 30	\$ 5,684,442	\$ 2,070,599	\$ 1,366,282	\$ 9,121,323	\$ 7,974,021

See Accompanying Report of Independent Public Accountants.

## Exhibit C-3

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended September 30, 2017**  
**(\$000s)**

	(\$000)			
	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,225	\$ 62,046	\$ 54,280	\$ 68,991
Other receivables	28,476	24,751	20,748	32,479
<b>Total assets</b>	<b>\$ 89,701</b>	<b>\$ 86,797</b>	<b>\$ 75,028</b>	<b>\$ 101,470</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 741	\$ 1,548	\$ 687	\$ 1,602
Other current liabilities	88,960	43,875	32,967	99,868
<b>Total liabilities</b>	<b>\$ 89,701</b>	<b>\$ 45,423</b>	<b>\$ 33,654</b>	<b>\$ 101,470</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, 2017**  
**(\$000s)**

	Budget		Actual	Variance
	Original	Revised		
<b>Governmental direction and support:</b>				
Council of the District of Columbia	\$ 24,002	\$ 22,329	\$ 22,329	\$ -
Office of the D.C. auditor	5,202	5,156	4,669	487
Statehood initiative agency	234	239	239	-
Advisory neighborhood commissions	959	1,005	851	154
Office of the mayor	12,679	13,575	13,478	97
Mayor's office of legal counsel	1,642	1,335	1,322	13
Office of senior advisor	2,200	2,200	2,123	77
Office of the secretary	3,749	3,698	3,689	9
Office of the inspector general	18,723	17,105	15,890	1,215
Captive insurance agency	2,309	1,948	1,869	79
City administrator	7,399	8,337	8,112	225
D.C. department of human resources	8,907	10,162	10,065	97
Office of finance & resource management	23,787	23,495	23,450	45
Department of general services	321,717	337,122	333,818	3,304
Office of contracting and procurement	23,821	23,211	23,036	175
Contract appeals board	1,492	1,492	1,453	39
Office of the chief financial officer	169,004	143,157	139,958	3,199
Office of the attorney general for the District of Columbia	88,694	86,158	78,863	7,295
Office of risk management	3,973	3,973	3,893	80
Office of disability rights	1,625	1,468	1,405	63
Uniform law commission	50	50	47	3
Office of the chief technology officer	77,804	75,937	72,531	3,406
Board of elections	7,623	9,084	9,013	71
Office of campaign finance	2,833	2,833	2,688	145
Public employee relations board	1,318	1,318	1,279	39
Office of employee appeals	1,815	1,815	1,767	48
Metropolitan washington council of governments	495	495	495	-
Deputy mayor for greater economic opportunity	2,946	3,061	2,671	390
D.C. board of ethics and accountability	2,060	2,260	2,166	94
Section 103 judgments	-	4,346	4,346	-
<b>Total governmental direction and support</b>	<b>819,062</b>	<b>808,364</b>	<b>787,515</b>	<b>20,849</b>
<b>Economic development and regulation:</b>				
Deputy mayor for planning & economic development	36,532	39,121	34,498	4,623
Department of small and local business development	11,736	11,124	10,987	137
Office of planning	10,094	10,464	10,138	326
Office of zoning	2,915	3,080	3,050	30
Department of housing and community development	69,720	65,588	62,867	2,721
Office of film, television and entertainment	11,964	16,271	15,559	712
Department of employment services	143,226	130,030	125,040	4,990
Real property tax appeals commission	1,703	1,663	1,640	23
Department of consumer & regulatory affairs	55,506	55,107	50,830	4,277
Alcoholic beverage regulation administration	8,268	8,268	7,247	1,021
Commission on arts & humanities	21,947	20,855	20,604	251
Housing authority subsidy	69,948	54,625	54,623	2
Business improvement districts transfer	37,000	40,500	27,404	13,096
Housing production trust fund subsidy	55,054	42,732	42,732	-
Office of the tenant advocate	2,983	3,115	3,075	40
Public service commission	13,889	13,887	13,330	557
Department of insurance, securities and banking	26,279	26,037	19,813	6,224
Office of people's counsel	7,497	8,058	7,901	157
<b>Total economic development and regulation</b>	<b>586,261</b>	<b>550,525</b>	<b>511,338</b>	<b>39,187</b>
<b>Public safety and justice:</b>				
Metropolitan police department	527,563	525,909	515,962	9,947
Fire and emergency medical services	253,887	256,183	253,240	2,943
Police officers' & firefighters' retirement system	146,456	146,456	145,627	829
Office of administrative hearings	8,986	9,283	9,210	73
Criminal justice coordinating council	2,630	3,008	2,936	72
Corrections information council	497	499	453	46
Department of corrections	146,572	155,381	154,955	426
Office of the chief medical examiner	11,423	11,534	11,316	218
D.C. national guard	13,303	13,181	12,575	606
Homeland security and emergency management agency	136,498	98,204	97,998	206
Commission on judicial disabilities and tenure	310	310	306	4
Judicial nomination commission	275	266	266	-
Office of police complaints	2,449	2,449	2,276	173
Office of unified communications	49,736	45,124	44,604	520
Office of justice grant administration	38,631	34,246	33,681	565
Section 103 judgments - public safety and justice	-	340	340	-
D.C. sentencing and criminal code revision commission	1,087	1,087	948	139
Office of the deputy mayor for public safety and justice	1,275	1,773	1,679	94
Department of forensic sciences	23,255	21,631	20,889	742
Criminal code reform commission	701	701	659	42
<b>Total public safety and justice</b>	<b>1,365,534</b>	<b>1,327,565</b>	<b>1,309,920</b>	<b>17,645</b>



Exhibit D-1

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS EXPENDITURES**  
**Year Ended September 30, 2017**  
**(\$000s)**

	Budget		Actual	Variance
	Original	Revised		
<b>Public education system:</b>				
District of Columbia public schools	\$ 804,158	\$ 827,079	\$ 815,780	\$ 11,299
AY18 public school advance appropriations	-	-	-	-
Public charter schools	723,717	496,750	496,750	-
AY18 public charter school advance appropriations	-	282,919	282,919	-
Teachers' retirement fund	56,781	56,781	56,618	163
University of the District of Columbia subsidy	76,680	77,671	77,671	-
Office of the state superintendent of education	457,504	430,154	358,369	71,785
D.C. state board of education	1,498	1,498	1,267	231
D.C. public library	60,258	58,501	57,529	972
D.C. public charter school board	8,014	8,735	721	8,014
Special education transportation	94,314	92,064	89,300	2,764
Non-public tuition	74,461	64,752	64,752	-
Office of the deputy mayor for education	3,743	3,504	3,504	-
Section 103 - public education system	-	5,482	5,482	-
<b>Total public education system</b>	<b>2,361,128</b>	<b>2,405,890</b>	<b>2,310,662</b>	<b>95,228</b>
<b>Human support services:</b>				
Department of human services	500,810	520,671	508,409	12,262
Department of health	228,130	231,297	208,453	22,844
Department of parks and recreation	48,563	47,651	47,072	579
D.C. office on aging	39,032	40,628	39,938	690
Unemployment compensation fund	6,887	6,787	5,326	1,461
Employees' compensation fund	21,521	25,538	25,538	-
Office of human rights	4,380	4,340	4,331	9
Office on latino affairs	2,812	3,244	3,058	186
Children investment trust	4,920	4,920	4,920	-
D.C. health benefit exchange subsidy	-	-	-	-
Child and family services agency	231,571	222,721	222,129	592
Department of behavioral health	255,015	259,266	255,290	3,976
Office on asian and pacific islander affairs	855	819	803	16
Office of veterans affairs	413	408	404	4
Department of youth rehabilitation services	101,529	91,788	90,342	1,446
Department on disability services	166,557	165,672	164,661	1,011
Department of health care finance	2,982,029	2,962,786	2,958,961	3,825
Deputy mayor for health and human services	2,295	2,420	2,242	178
Not-for-profit hospital corporation subsidy	2,000	2,000	2,000	-
Section 103 - human support services	-	2,600	2,600	-
<b>Total human support services</b>	<b>4,599,319</b>	<b>4,595,556</b>	<b>4,546,477</b>	<b>49,079</b>
<b>Public works:</b>				
Department of public works	145,057	150,980	145,320	5,660
Department of transportation	111,518	108,690	99,923	8,767
Taxi cab commission	11,910	13,508	12,494	1,014
Department of motor vehicles	40,063	39,573	36,938	2,635
Washington metro area transit commission	139	139	139	-
Mass transit subsidies	367,171	368,014	368,014	-
D.C. department of the environment	107,038	114,788	100,244	14,544
<b>Total public works</b>	<b>782,896</b>	<b>795,692</b>	<b>763,072</b>	<b>32,620</b>
<b>Other:</b>				
Repayment of loans and interest	642,681	640,413	640,283	130
Debt service - issuance costs	6,000	6,000	5,721	279
Interest expense on short-term borrowing	1,250	-	-	-
Settlements and judgments fund	21,292	21,292	21,292	-
Inaugural expenses	-	27,300	27,300	-
Wilson building	4,369	4,369	4,210	159
Schools modernization fund	13,523	13,523	13,523	-
D.C. retiree health contribution	31,000	31,000	31,000	-
Repayment of revenue bonds	7,835	7,835	7,825	10
Convention center transfer	122,286	141,801	141,801	-
Highway transportation fund	24,754	26,099	26,099	-
Emergency planning and security fund	34,895	17,112	17,112	-
Workforce investments	18,025	-	-	-
Operating lease-equipment	29,381	27,445	27,445	-
Pay-as-you-go capital fund	120,542	133,380	133,380	-
Non-departmental	7,224	-	-	-
<b>Total other</b>	<b>1,085,057</b>	<b>1,097,569</b>	<b>1,096,991</b>	<b>578</b>
<b>Total</b>	<b>\$ 11,599,257</b>	<b>\$ 11,581,161</b>	<b>\$ 11,325,975</b>	<b>\$ 255,186</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, 2017**  
**(\$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	\$ 24,002	\$ 22,289	\$ 22,289	\$ -	\$ -	\$ -	\$ -	\$ -
Office of the D.C. auditor	5,202	5,156	4,669	487	-	-	-	-
Statehood initiative agency	234	239	239	-	-	-	-	-
Advisory neighborhood commissions	959	1,005	851	154	-	-	-	-
Office of the mayor	9,144	9,785	9,736	49	3,535	3,790	3,742	48
Mayor's office of legal counsel	1,642	1,335	1,322	13	-	-	-	-
Office of senior advisor	2,200	2,200	2,123	77	-	-	-	-
Office of the secretary	2,649	2,674	2,666	8	-	-	-	-
Office of the inspector general	16,154	14,073	13,807	266	2,569	3,032	2,083	949
Captive insurance agency	2,072	1,870	1,869	1	-	-	-	-
City administrator	7,069	7,069	6,894	175	-	-	-	-
D.C. department of human resources	8,428	9,683	9,654	29	-	-	-	-
Office of finance & resource management	23,380	23,275	23,230	45	-	-	-	-
Department of general services	314,156	330,738	327,877	2,861	-	-	-	-
Office of contracting and procurement	23,446	22,836	22,664	172	-	-	-	-
Contract appeals board	1,492	1,492	1,453	39	-	-	-	-
Office of the chief financial officer	124,986	124,933	124,908	25	525	525	362	163
Office of the attorney general for the District of Columbia	61,459	60,459	56,616	3,843	22,570	18,506	18,393	113
Office of risk management	3,973	3,973	3,893	80	-	-	-	-
Office of disability rights	1,103	1,104	1,041	63	522	364	364	-
Uniform law commission	50	50	47	3	-	-	-	-
Office of the chief technology officer	65,603	66,058	65,740	318	48	43	43	-
Board of elections	7,623	7,733	7,662	71	-	1,351	1,351	-
Office of campaign finance	2,833	2,833	2,688	145	-	-	-	-
Public employee relations board	1,318	1,318	1,279	39	-	-	-	-
Office of employee appeals	1,815	1,815	1,767	48	-	-	-	-
Metropolitan washington council of governments	495	495	495	-	-	-	-	-
Deputy mayor for greater economic opportunity	2,946	3,061	2,671	390	-	-	-	-
D.C. board of ethics and accountability	1,910	2,110	2,071	39	-	-	-	-
Section 103 judgments	-	4,346	4,346	-	-	-	-	-
<b>Total governmental direction and support</b>	<b>718,343</b>	<b>736,007</b>	<b>726,567</b>	<b>9,440</b>	<b>29,769</b>	<b>27,611</b>	<b>26,338</b>	<b>1,273</b>
<b>Economic development and regulation:</b>								
Deputy mayor for planning & economic development	13,801	16,931	16,461	470	1,756	3,134	3,134	-
Department of small and local business development	11,157	10,687	10,554	133	579	437	433	4
Office of planning	9,459	9,382	9,106	276	525	571	571	-
Office of zoning	2,915	3,080	3,050	30	-	-	-	-
Department of housing and community development	10,084	19,178	19,173	5	53,754	41,360	38,811	2,549
Office of film, television and entertainment	1,625	4,182	4,181	1	-	-	-	-
Department of employment services	63,770	62,265	61,079	1,186	35,350	28,213	26,727	1,486
Real property tax appeals commission	1,703	1,663	1,640	23	-	-	-	-
Department of consumer & regulatory affairs	19,988	19,499	19,317	182	-	-	-	-
Alcoholic beverage regulation administration	1,170	1,170	1,048	122	-	-	-	-
Commission on arts & humanities	21,055	20,135	19,884	251	692	720	720	-
Housing authority subsidy	69,948	54,625	54,623	2	-	-	-	-
Business improvement districts transfer	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	55,054	42,732	42,732	-	-	-	-	-
Office of the tenant advocate	2,983	3,115	3,075	40	-	-	-	-
Public service commission	-	-	-	-	551	551	475	76
Department of insurance, securities and banking	-	-	-	-	-	145	145	-
Office of people's counsel	-	-	-	-	-	-	-	-
<b>Total economic development and regulation</b>	<b>284,712</b>	<b>268,644</b>	<b>265,923</b>	<b>2,721</b>	<b>93,207</b>	<b>75,131</b>	<b>71,016</b>	<b>4,115</b>
<b>Public safety and justice:</b>								
Metropolitan police department	516,470	513,272	507,188	6,084	3,229	4,451	4,450	1
Fire and emergency medical services	249,840	251,115	248,566	2,549	3,022	4,353	4,353	-
Police officers' & firefighters' retirement system	146,456	146,456	145,627	829	-	-	-	-
Office of administrative hearings	8,926	9,133	9,060	73	60	150	150	-
Criminal justice coordinating council	630	630	558	72	2,000	2,378	2,378	-
Corrections information council	497	497	451	46	-	-	-	-
Department of corrections	126,404	135,222	135,051	171	-	-	(32)	32
Office of the chief medical examiner	11,423	11,534	11,316	218	-	-	-	-
D.C. national guard	5,140	5,140	5,088	52	8,163	8,041	7,487	554
Homeland security and emergency management agency	4,667	4,667	4,665	2	131,831	93,537	93,333	204
Commission on judicial disabilities and tenure	-	-	-	-	310	310	306	4
Judicial nomination commission	-	-	-	-	275	266	266	-
Office of police complaints	2,449	2,449	2,276	173	-	-	-	-
Office of unified communications	31,925	31,420	31,399	21	-	-	-	-
Office of justice grant administration	23,431	23,086	22,831	255	13,402	8,848	8,726	122
Section 103 judgments - public safety and justice	-	340	340	-	-	-	-	-
D.C. sentencing and criminal code revision commission	1,087	1,087	948	139	-	-	-	-
Office of the deputy mayor for public safety and justice	1,275	1,773	1,683	90	-	-	(4)	4
Department of forensic sciences	22,879	21,048	20,529	519	376	583	360	223
Criminal code reform commission	701	701	659	42	-	-	-	-
<b>Total public safety and justice</b>	<b>1,154,200</b>	<b>1,159,570</b>	<b>1,148,235</b>	<b>11,335</b>	<b>162,668</b>	<b>122,917</b>	<b>121,773</b>	<b>1,144</b>

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2017**  
**(\$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	\$ -	\$ 40	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -
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	-	-	-	-	1,100	1,024	1,023	1
Office of the inspector general	-	-	-	-	-	-	-	-
Captive insurance agency	-	-	-	-	237	78	-	78
City administrator	-	888	888	-	330	380	330	50
D.C. department of human resources	-	-	-	-	479	479	411	68
Office of finance & resource management	-	-	-	-	407	220	220	-
Department of general services	-	-	-	-	7,561	6,384	5,941	443
Office of contracting and procurement	-	-	-	-	375	375	372	3
Contract appeals board	-	-	-	-	-	-	-	-
Office of the chief financial officer	-	-	-	-	43,493	17,699	14,688	3,011
Office of the attorney general for the District of Columbia	456	484	480	4	4,209	6,709	3,374	3,335
Office of risk management	-	-	-	-	-	-	-	-
Office of disability rights	-	-	-	-	-	-	-	-
Uniform law commission	-	-	-	-	-	-	-	-
Office of the chief technology officer	-	-	-	-	12,153	9,836	6,748	3,088
Board of elections	-	-	-	-	-	-	-	-
Office of campaign finance	-	-	-	-	-	-	-	-
Public employee relations board	-	-	-	-	-	-	-	-
Office of employee appeals	-	-	-	-	-	-	-	-
Metropolitan washington council of governments	-	-	-	-	-	-	-	-
Deputy mayor for greater economic opportunity	-	-	-	-	-	-	-	-
D.C. board of ethics and accountability	-	-	-	-	150	150	95	55
Section 103 judgments	-	-	-	-	-	-	-	-
<b>Total governmental direction and support</b>	<b>456</b>	<b>1,412</b>	<b>1,408</b>	<b>4</b>	<b>70,494</b>	<b>43,334</b>	<b>33,202</b>	<b>10,132</b>
<b>Economic development and regulation:</b>								
Deputy mayor for planning & economic development	-	-	-	-	20,975	19,056	14,903	4,153
Department of small and local business development	-	-	-	-	-	-	-	-
Office of planning	10	336	336	-	100	175	125	50
Office of zoning	-	-	-	-	-	-	-	-
Department of housing and community development	-	22	14	8	5,882	5,028	4,869	159
Office of film, television and entertainment	-	-	-	-	10,339	12,089	11,378	711
Department of employment services	1	261	260	1	44,105	39,291	36,974	2,317
Real property tax appeals commission	-	-	-	-	-	-	-	-
Department of consumer & regulatory affairs	-	-	-	-	35,518	35,608	31,513	4,095
Alcoholic beverage regulation administration	-	-	-	-	7,098	7,098	6,199	899
Commission on arts & humanities	-	-	-	-	200	-	-	-
Housing authority subsidy	-	-	-	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	37,000	40,500	27,404	13,096
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of the tenant advocate	-	-	-	-	-	-	-	-
Public service commission	22	22	10	12	13,316	13,314	12,845	469
Department of insurance, securities and banking	-	-	-	-	26,279	25,892	19,668	6,224
Office of people's counsel	-	-	-	-	7,497	8,058	7,901	157
<b>Total economic development and regulation</b>	<b>33</b>	<b>641</b>	<b>620</b>	<b>21</b>	<b>208,309</b>	<b>206,109</b>	<b>173,779</b>	<b>32,330</b>
<b>Public safety and justice:</b>								
Metropolitan police department	-	322	117	205	7,864	7,864	4,207	3,657
Fire and emergency medical services	-	-	-	-	1,025	715	321	394
Police officers' & firefighters' retirement system	-	-	-	-	-	-	-	-
Office of administrative hearings	-	-	-	-	-	-	-	-
Criminal justice coordinating council	-	-	-	-	-	-	-	-
Corrections information council	-	2	2	-	-	-	-	-
Department of corrections	-	-	-	-	20,168	20,159	19,936	223
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	-	-	-	-	17,811	13,704	13,205	499
Office of justice grant administration	-	-	-	-	1,798	2,312	2,124	188
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	-	-	-	-	-	-	-	-
Criminal code reform commission	-	-	-	-	-	-	-	-
<b>Total public safety and justice</b>	<b>-</b>	<b>324</b>	<b>119</b>	<b>205</b>	<b>48,666</b>	<b>44,754</b>	<b>39,793</b>	<b>4,961</b>

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2017**  
**(\$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	\$ 756,389	\$ 777,582	\$ 777,577	\$ 5	\$ 41,648	\$ 31,922	\$ 31,904	\$ 18
AY18 public school advance appropriations	-	-	-	-	-	-	-	-
Public charter schools	723,717	496,750	496,750	-	-	-	-	-
AY18 public charter school advance appropriations	-	282,919	282,919	-	-	-	-	-
Teachers' retirement fund	56,781	56,781	56,618	163	-	-	-	-
University of the District of Columbia subsidy	76,680	77,671	77,671	-	-	-	-	-
Office of the state superintendent of education	150,487	148,676	140,658	8,018	305,970	279,301	216,337	62,964
D.C. state board of education	1,480	1,480	1,267	213	-	-	-	-
D.C. public library	58,024	56,432	55,887	545	924	940	940	-
D.C. public charter school board	-	721	721	-	-	-	-	-
Special education transportation	94,314	92,064	89,300	2,764	-	-	-	-
Non-public tuition	74,461	64,752	64,752	-	-	-	-	-
Office of the deputy mayor for education	3,743	3,504	3,504	-	-	-	-	-
Section 103 - public education system	-	5,482	5,482	-	-	-	-	-
<b>Total public education system</b>	<b>1,996,076</b>	<b>2,064,814</b>	<b>2,053,106</b>	<b>11,708</b>	<b>348,542</b>	<b>312,163</b>	<b>249,181</b>	<b>62,982</b>
<b>Human support services:</b>								
Department of human services	298,901	303,669	293,589	10,080	199,434	214,855	212,808	2,047
Department of health	76,857	74,266	72,862	1,404	133,205	138,563	119,554	19,009
Department of parks and recreation	45,963	44,662	44,083	579	-	-	-	-
D.C. office on aging	30,263	31,724	31,426	298	8,769	8,904	8,512	392
Unemployment compensation fund	6,887	6,787	5,326	1,461	-	-	-	-
Employees' compensation fund	21,521	25,538	25,538	-	-	-	-	-
Office of human rights	4,058	4,044	4,035	9	322	247	247	-
Office on latino affairs	2,812	3,244	3,058	186	-	-	-	-
Children investment trust	4,920	4,920	4,920	-	-	-	-	-
Child and family services agency	166,553	163,970	163,432	538	63,778	57,496	57,462	34
Department of behavioral health	226,758	232,237	231,904	333	23,443	23,311	20,284	3,027
Office on asian and pacific islander affairs	855	819	803	16	-	-	-	-
Office of veterans affairs	408	395	394	1	-	-	-	-
Department of youth rehabilitation services	101,529	91,786	90,344	1,442	-	-	-	-
Department on disability services	118,738	115,792	115,430	362	40,646	43,246	42,681	565
Department of health care finance	787,513	789,554	787,489	2,065	2,191,023	2,171,579	2,169,926	1,653
Deputy mayor for health and human services	2,295	2,420	2,242	178	-	-	-	-
Not-for-profit hospital corporation subsidy	2,000	2,000	2,000	-	-	-	-	-
Section 103 - human support services	-	2,600	2,600	-	-	-	-	-
<b>Total human support services</b>	<b>1,898,831</b>	<b>1,900,427</b>	<b>1,881,475</b>	<b>18,952</b>	<b>2,660,620</b>	<b>2,658,201</b>	<b>2,631,474</b>	<b>26,727</b>
<b>Public works:</b>								
Department of public works	137,496	140,419	139,847	572	-	-	-	-
Department of transportation	75,405	75,345	70,155	5,190	11,695	9,020	9,020	-
Taxi cab commission	4,068	4,038	4,000	38	-	-	-	-
Department of motor vehicles	30,199	29,709	28,518	1,191	-	-	-	-
Washington metro area transit commission	139	139	139	-	-	-	-	-
Mass transit subsidies	313,571	321,330	321,330	-	-	-	-	-
D.C. department of the environment	18,126	18,789	18,651	138	27,937	23,085	22,610	475
<b>Total public works</b>	<b>579,004</b>	<b>589,769</b>	<b>582,640</b>	<b>7,129</b>	<b>39,632</b>	<b>32,105</b>	<b>31,630</b>	<b>475</b>
<b>Other:</b>								
Repayment of loans and interest	619,100	616,832	616,832	-	18,262	18,262	18,132	130
Debt service - issuance costs	6,000	6,000	5,721	279	-	-	-	-
Interest expense on short-term borrowing	1,250	-	-	-	-	-	-	-
Settlements and judgments fund	21,292	21,292	21,292	-	-	-	-	-
Inaugural expenses	-	-	-	-	-	27,300	27,300	-
Wilson building	4,369	4,369	4,210	159	-	-	-	-
Schools modernization fund	13,523	13,523	13,523	-	-	-	-	-
D.C. retiree health contribution	31,000	31,000	31,000	-	-	-	-	-
Repayment of revenue bonds	7,835	7,835	7,825	10	-	-	-	-
Convention center transfer	122,286	141,614	141,614	-	-	-	-	-
Highway transportation fund	24,754	26,099	26,099	-	-	-	-	-
Emergency planning and security fund	-	-	-	-	34,895	17,112	17,112	-
Workforce investments	18,025	-	-	-	-	-	-	-
Operating lease-equipment	29,381	27,445	27,445	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-	-	-
Pay-as-you-go capital fund	66,614	76,410	76,410	-	-	-	-	-
Non-departmental	3,804	-	-	-	-	-	-	-
<b>Total other</b>	<b>969,233</b>	<b>972,419</b>	<b>971,971</b>	<b>448</b>	<b>53,157</b>	<b>62,674</b>	<b>62,544</b>	<b>130</b>
<b>Total</b>	<b>\$ 7,600,399</b>	<b>\$ 7,691,650</b>	<b>\$ 7,629,917</b>	<b>\$ 61,733</b>	<b>\$ 3,387,595</b>	<b>\$ 3,290,802</b>	<b>\$ 3,193,956</b>	<b>\$ 96,846</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, 2017**  
**(\$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	\$ 220	\$ 2,915	\$ 2,906	\$ 9	\$ 5,901	\$ 14,660	\$ 3,393	\$ 11,267
AY18 public school advance appropriations	-	-	-	-	-	-	-	-
Public charter schools	-	-	-	-	-	-	-	-
AY18 public charter school advance appropriations	-	-	-	-	-	-	-	-
Teachers' retirement fund	-	-	-	-	-	-	-	-
University of the District of Columbia subsidy	-	-	-	-	-	-	-	-
Office of the state superintendent of education	-	393	339	54	1,047	1,784	1,035	749
D.C. state board of education	18	18	-	18	-	-	-	-
D.C. public library	-	-	-	-	1,310	1,129	702	427
D.C. public charter school board	-	-	-	-	8,014	8,014	-	8,014
Special education transportation	-	-	-	-	-	-	-	-
Non-public tuition	-	-	-	-	-	-	-	-
Office of the deputy mayor for education	-	-	-	-	-	-	-	-
Section 103 - public education system	-	-	-	-	-	-	-	-
<b>Total public education system</b>	<b>238</b>	<b>3,326</b>	<b>3,245</b>	<b>81</b>	<b>16,272</b>	<b>25,587</b>	<b>5,130</b>	<b>20,457</b>
<b>Human support services:</b>								
Department of human services	-	-	-	-	2,475	2,147	2,012	135
Department of health	-	281	251	30	18,068	18,187	15,786	2,401
Department of parks and recreation	-	-	-	-	2,600	2,989	2,989	-
D.C. office on aging	-	-	-	-	-	-	-	-
Unemployment compensation fund	-	-	-	-	-	-	-	-
Employees' compensation fund	-	-	-	-	-	-	-	-
Office of human rights	-	49	49	-	-	-	-	-
Office on latino affairs	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Child and family services agency	40	55	35	20	1,200	1,200	1,200	-
Department of behavioral health	544	378	240	138	4,270	3,340	2,862	478
Office on asian and pacific islander affairs	-	-	-	-	-	-	-	-
Office of veterans affairs	-	-	-	-	5	13	10	3
Department of youth rehabilitation services	-	2	(2)	4	-	-	-	-
Department on disability services	10	10	10	-	7,163	6,624	6,540	84
Department of health care finance	-	-	-	-	3,493	1,653	1,546	107
Deputy mayor for health and human services	-	-	-	-	-	-	-	-
Not-for-profit hospital corporation subsidy	-	-	-	-	-	-	-	-
Section 103 - human support services	-	-	-	-	-	-	-	-
<b>Total human support services</b>	<b>594</b>	<b>775</b>	<b>583</b>	<b>192</b>	<b>39,274</b>	<b>36,153</b>	<b>32,945</b>	<b>3,208</b>
<b>Public works:</b>								
Department of public works	-	-	-	-	7,561	10,561	5,473	5,088
Department of transportation	-	-	-	-	24,418	24,325	20,748	3,577
Taxi cab commission	-	-	-	-	7,842	9,470	8,494	976
Department of motor vehicles	-	-	-	-	9,864	9,864	8,420	1,444
Washington metro area transit commission	-	-	-	-	-	-	-	-
Mass transit subsidies	-	-	-	-	53,600	46,684	46,684	-
D.C. department of the environment	-	181	181	-	60,975	72,733	58,802	13,931
<b>Total public works</b>	<b>-</b>	<b>181</b>	<b>181</b>	<b>-</b>	<b>164,260</b>	<b>173,637</b>	<b>148,621</b>	<b>25,016</b>
<b>Other:</b>								
Repayment of loans and interest	-	-	-	-	5,319	5,319	5,319	-
Debt service - issuance costs	-	-	-	-	-	-	-	-
Interest expense on short-term borrowing	-	-	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-	-	-
Inaugural expenses	-	-	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-	-	-
D.C. retiree health contribution	-	-	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-	-	-
Convention center transfer	-	-	-	-	-	187	187	-
Highway transportation fund	-	-	-	-	-	-	-	-
Emergency planning and security fund	-	-	-	-	-	-	-	-
Workforce investments	-	-	-	-	-	-	-	-
Operating lease-equipment	-	-	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-	-	-
Pay-as-you-go capital fund	-	-	-	-	53,928	56,970	56,970	-
Non-departmental	-	-	-	-	3,420	-	-	-
<b>Total other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,667</b>	<b>62,476</b>	<b>62,476</b>	<b>-</b>
<b>Total</b>	<b>\$ 1,321</b>	<b>\$ 6,659</b>	<b>\$ 6,156</b>	<b>\$ 503</b>	<b>\$ 609,942</b>	<b>\$ 592,050</b>	<b>\$ 495,946</b>	<b>\$ 96,104</b>

See Accompanying Report of Independent Public Accountants.



## Exhibit D-3

**FINANCIAL REPORTING ENTITY  
SCHEDULE OF BUDGET REVISIONS  
Year Ended September 30, 2017  
(\$000s)**

	Local Source			Federal Resources		
	Original Budget	Revisions	Revised Budget	Original Budget	Revisions	Revised Budget
<b>Revenues and Sources:</b>						
Taxes:						
Property taxes	\$ 2,515,160	\$ 64,633	\$ 2,579,793	\$ -	\$ -	\$ -
Sales and use taxes	1,408,495	86,709	1,495,204	-	-	-
Income taxes	2,357,020	104,769	2,461,789	-	-	-
Other taxes	683,566	85,634	769,200	-	-	-
Total taxes	6,964,241	341,745	7,305,986	-	-	-
Licenses and permits	90,074	(1,174)	88,900	-	-	-
Fines and forfeits	146,045	14,520	160,565	-	-	-
Charges for services	80,512	(5,005)	75,507	-	-	-
Miscellaneous	106,148	(5,227)	100,921	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	122,930	(32,550)	90,380
Operating grant	-	-	-	3,264,665	(76,155)	3,188,510
Bond proceeds	6,000	-	6,000	-	-	-
Fund balance released from restrictions	139,551	57,663	197,214	-	11,912	11,912
Transfer in from lottery board	55,500	(10,500)	45,000	-	-	-
Transfer in-others	15,162	40,167	55,329	-	-	-
<b>Total revenues and sources</b>	<b>7,603,233</b>	<b>432,189</b>	<b>8,035,422</b>	<b>3,387,595</b>	<b>(96,793)</b>	<b>3,290,802</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	718,343	17,664	736,007	29,769	(2,158)	27,611
Economic development and regulation	284,712	(16,068)	268,644	93,207	(18,076)	75,131
Public safety and justice	1,154,200	5,370	1,159,570	162,668	(39,751)	122,917
Public education system	1,996,076	(214,181)	1,781,895	348,542	(36,379)	312,163
Public education AY18 expenditure	-	282,919	282,919	-	-	-
Human support services	1,898,831	1,596	1,900,427	2,660,620	(2,419)	2,658,201
Public works	579,004	10,765	589,769	39,632	(7,527)	32,105
Repayment of loans and interest	619,100	(2,268)	616,832	18,262	-	18,262
Debt service - issuance costs	6,000	-	6,000	-	-	-
Interest expense on short-term borrowing	1,250	(1,250)	-	-	-	-
Settlements and judgments fund	21,292	-	21,292	-	-	-
Inaugural expenses	-	-	-	-	27,300	27,300
Wilson building	4,369	-	4,369	-	-	-
Schools modernization fund	13,523	-	13,523	-	-	-
D.C. retiree health contribution	31,000	-	31,000	-	-	-
Repayment of revenue bonds	7,835	-	7,835	-	-	-
Convention center transfer	122,286	19,328	141,614	-	-	-
Highway transportation fund	24,754	1,345	26,099	-	-	-
Emergency planning and security fund	-	-	-	34,895	(17,783)	17,112
Workforce investments	18,025	(18,025)	-	-	-	-
Operating lease-equipment	29,381	(1,936)	27,445	-	-	-
Pay-as-you-go capital fund	66,614	9,796	76,410	-	-	-
Non-departmental	3,804	(3,804)	-	-	-	-
<b>Total expenditures and uses</b>	<b>7,600,399</b>	<b>91,251</b>	<b>7,691,650</b>	<b>3,387,595</b>	<b>(96,793)</b>	<b>3,290,802</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ 2,834</b>	<b>\$ 340,938</b>	<b>\$ 343,772</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, 2017**

(\$000s)

	Private Grant and Contributions			Other Sources		
	Original Budget	Revisions	Revised Budget	Original Budget	Revisions	Revised Budget
<b>Revenues and Sources:</b>						
Taxes:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Other	-	-	-	609,942	(17,892)	592,050
Federal contributions	-	-	-	-	-	-
Operating grant	1,321	5,338	6,659	-	-	-
Bond proceeds	-	-	-	-	-	-
Fund balance released from restrictions	-	-	-	-	-	-
Transfer in from lottery board	-	-	-	-	-	-
Transfer in-others	-	-	-	-	-	-
<b>Total revenues and sources</b>	<b>1,321</b>	<b>5,338</b>	<b>6,659</b>	<b>609,942</b>	<b>(17,892)</b>	<b>592,050</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	456	956	1,412	70,494	(27,160)	43,334
Economic development and regulation	33	608	641	208,309	(2,200)	206,109
Public safety and justice	-	324	324	48,666	(3,912)	44,754
Public education system	238	3,088	3,326	16,272	9,315	25,587
Public education AY18 expenditure	-	-	-	-	-	-
Human support services	594	181	775	39,274	(3,121)	36,153
Public works	-	181	181	164,260	9,377	173,637
Repayment of loans and interest	-	-	-	5,319	-	5,319
Debt service - issuance costs	-	-	-	-	-	-
Interest expense on short-term borrowing	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-
Section 103 - financing and other funds	-	-	-	-	-	-
Inaugural expenses	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-
D.C. retiree health contribution	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-
Convention center transfer	-	-	-	-	187	187
Highway transportation fund	-	-	-	-	-	-
Emergency planning and security fund	-	-	-	-	-	-
Workforce investments	-	-	-	-	-	-
Operating lease-equipment	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-
Pay-as-you-go capital fund	-	-	-	53,928	3,042	56,970
Non-departmental	-	-	-	3,420	(3,420)	-
<b>Total expenditures and uses</b>	<b>1,321</b>	<b>5,338</b>	<b>6,659</b>	<b>609,942</b>	<b>(17,892)</b>	<b>592,050</b>
<b>Excess of Revenues and Sources Over 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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# 2017

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

# CAFER

## 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, 2017



STATISTICAL SECTION



## STATISTICAL SECTION

(Unaudited)

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





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4. Demographic and Economic Information .....	197
5. Operating Information.....	199



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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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 3,204,028
Restricted	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	1,538,687
Unrestricted	(404,959)	(505,804)	(739,720)	(527,647)	(601,284)	(632,045)	(456,827)	(134,430)	170,315	132,888
Total governmental activities net position	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	4,875,603
<b>Business-type activities</b>										
Net investment in capital assets	16,747	16,012	4,827	478	480	427	270	169	330	79,700
Restricted	374,282	304,773	233,296	226,229	229,930	241,952	260,645	312,483	364,237	416,373
Unrestricted	24,773	25,864	8,628	3,501	3,607	3,911	4,012	4,271	4,184	11,185
Total business-type activities net position	415,802	346,649	246,751	230,208	234,017	246,290	264,927	316,923	368,751	507,258
<b>Primary government</b>										
Net investment in capital assets	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	3,283,728
Restricted	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	1,955,060
Unrestricted	(380,186)	(479,940)	(731,092)	(524,146)	(597,677)	(628,134)	(452,815)	(130,159)	174,499	144,073
<b>Total primary government net position</b>	<b>\$ 2,961,335</b>	<b>\$ 2,848,112</b>	<b>\$ 3,061,976</b>	<b>\$ 3,200,793</b>	<b>\$ 3,562,587</b>	<b>\$ 3,727,970</b>	<b>\$ 3,833,663</b>	<b>\$ 4,416,371</b>	<b>\$ 4,815,418</b>	<b>\$ 5,382,861</b>

\* Due to the District's policy change in the recognition of personal property tax revenues, fiscal year 2010 amounts were 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 amounts 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 amounts presented for years prior to FY2015.

\*\*\*\* In FY2017, the District implemented GASB Statement No. 80 and restated the beginning net position for the primary government. The effect of this restatement is not reflected in amounts presented for years prior to FY2017.

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)

	*			**			***			****
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
<b>Expenses</b>										
Governmental direction and support	\$ 834,694	\$ 878,219	\$ 871,240	\$ 783,557	\$ 987,978	\$ 993,774	\$ 929,313	\$ 1,144,379	\$ 1,228,553	\$ 1,085,592
Economic development and regulation	499,644	470,567	374,149	370,592	353,618	460,082	416,670	474,493	548,314	591,861
Public safety and justice	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	1,594,081
Public education system	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	2,602,658
Human support services	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	4,863,087
Public works	586,649	553,233	497,027	489,304	587,002	603,423	651,221	705,766	701,559	758,431
Public transportation	214,905	230,499	243,668	257,703	221,339	284,851	309,436	335,703	359,097	368,014
Interest on long-term debt	293,339	336,536	324,319	356,164	397,216	382,530	396,754	404,130	392,638	446,621
Total governmental activities expenses	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	12,310,345
<b>Program revenues</b>										
Charges for services, fees, fines & forfeits:										
Economic development and regulation	111,105	105,148	112,074	126,407	134,410	136,436	146,067	167,841	172,898	180,307
Public works	206,771	196,119	219,005	228,287	191,960	170,810	189,566	165,931	183,592	185,842
Others	61,273	98,211	118,943	135,407	211,033	223,969	165,753	205,189	242,257	228,173
Operating grants & contributions	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	3,832,821
Capital grants & contributions	175,841	180,602	259,277	172,964	261,411	270,813	178,218	224,891	167,948	219,751
Total governmental activities program revenues	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	4,646,894
<b>Net expenses</b>	(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)	(7,663,451)
<b>General revenues</b>										
Taxes:										
Property taxes	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	2,651,688
Sales and use taxes	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	1,527,120
Income and franchise taxes	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	2,479,847
Gross receipts taxes	302,873	315,976	295,531	279,002	319,036	345,852	389,539	361,293	365,305	364,791
Other taxes	413,401	261,909	264,959	403,199	404,066	400,308	423,354	528,866	498,161	502,117
Investment earnings	95,847	28,242	19,156	6,122	21,944	6,071	6,810	5,855	11,601	9,288
Miscellaneous	458,469	530,847	447,368	563,400	514,590	580,097	499,235	406,914	510,330	527,920
Special items	153,640	287,137	266,942	-	-	-	-	-	-	-
Transfers	70,300	68,775	96,624	71,311	66,404	68,314	54,966	55,586	53,287	29,616
Total governmental activities general revenues	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	8,092,387
<b>Change in net position - governmental activities</b>	\$ (13,795)	\$ (44,070)	\$ 277,588	\$ 155,360	\$ 357,985	\$ 300,785	\$ 87,056	\$ 53,519	\$ 347,219	\$ 428,936

(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)

	*			**			***			****
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business activities</b>										
<b>Expenses</b>										
Lottery and games	\$ 182,981	\$ 176,625	\$ 163,393	\$ 169,526	\$ 183,185	\$ 173,927	\$ 161,144	\$ 156,762	\$ 174,882	\$ 173,241
Unemployment compensation	150,237	370,775	480,976	408,997	344,913	255,645	160,403	119,267	114,633	143,942
Not-for-Profit hospital	-	-	-	-	-	-	-	-	-	134,104
Nursing home services	40,837	44,601	18,817	4,555	-	-	-	-	-	-
Total business-type activities expenses	374,055	592,001	663,186	583,078	528,098	429,572	321,547	276,029	289,515	451,287
<b>Program revenues</b>										
Charges for services, fees, fines & forfeits:										
Lottery and games	252,721	245,370	230,159	231,749	249,675	242,460	216,040	212,495	228,183	218,732
Not-for-Profit Hospital	-	-	-	-	-	-	-	-	-	123,679
Nursing home services	37,435	43,424	19,991	4,135	-	-	-	-	-	-
Operating grants & contributions	21,191	36,985	36,998	34,968	27,945	32,790	9,766	14,561	12,028	25,217
Total business-type activities program revenues	311,347	325,779	287,148	270,852	277,620	275,250	225,806	227,056	240,211	367,628
<b>Net expenses</b>	(62,708)	(266,222)	(376,038)	(312,226)	(250,478)	(154,322)	(95,741)	(48,973)	(49,304)	(83,659)
<b>General revenues</b>										
Taxes:										
Other taxes	92,733	94,622	129,471	128,875	133,618	131,025	141,760	148,889	145,887	143,728
Investment earnings	21,317	19,061	13,584	11,764	8,517	7,723	7,340	7,666	8,532	9,645
Miscellaneous	16,355	152,161	229,709	226,355	178,556	96,161	20,244	-	-	-
Transfers	(70,300)	(68,775)	(96,624)	(71,311)	(66,404)	(68,314)	(54,966)	(55,586)	(53,287)	(29,616)
Total business-type activities general revenues	60,105	197,069	276,140	295,683	254,287	166,595	114,378	100,969	101,132	123,757
<b>Change in net position - business-type activities</b>	(2,603)	(69,153)	(99,898)	(16,543)	3,809	12,273	18,637	51,996	51,828	40,098
<b>Total primary government</b>										
<b>Expenses</b>	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	12,761,632
<b>Program revenues</b>	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	5,014,522
<b>Net expenses</b>	(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)	(7,747,110)
<b>General revenues</b>	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	8,216,144
<b>Change in net position - primary government</b>	\$ (16,398)	\$ (113,223)	\$ 177,690	\$ 138,817	\$ 361,794	\$ 313,058	\$ 105,693	\$ 105,515	\$ 399,047	\$ 469,034

\* Due to the District's policy change in the recognition of personal property tax revenues, fiscal year 2010 amounts were 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 amounts 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 amounts presented for years prior to FY2015.

\*\*\*\* In FY2017, the District implemented GASB Statement No. 80 and restated the beginning net position for the primary government. The effect of this restatement is not reflected in amounts presented for years prior to FY2017.

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)

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

In FY 2011, the District implemented GASB Statement No. 54; presentation is not comparable to prior years.

	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>							
Nonspendable	\$ 18,465	\$ 20,357	\$ 16,015	\$ 25,668	\$ 12,734	\$ 11,631	\$ 14,969
Restricted	756,650	856,277	976,071	983,011	1,026,396	1,030,895	1,120,068
Committed	256,287	595,008	659,567	744,649	1,047,105	1,325,895	1,541,254
Assigned	73,492	34,879	97,275	120,331	80,827	20,668	-
Unassigned	-	-	-	-	-	-	-
<b>Total general fund</b>	<u>\$ 1,104,894</u>	<u>\$ 1,506,521</u>	<u>\$ 1,748,928</u>	<u>\$ 1,873,659</u>	<u>\$ 2,167,062</u>	<u>\$ 2,389,089</u>	<u>\$ 2,676,291</u>
<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	675,825
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(116,269)	-	(114,248)	-	(228,870)	(642,032)
<b>Total all other governmental funds</b>	<u>\$ 621,740</u>	<u>\$ 425,373</u>	<u>\$ 717,664</u>	<u>\$ 535,092</u>	<u>\$ 825,624</u>	<u>\$ 525,161</u>	<u>\$ 33,793</u>

\* Due to the District's policy change in the recognition of personal property tax revenues, fiscal year 2010 amounts were 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>REVENUES</b>										
Taxes	\$ 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	\$ 7,523,653
Fines and forfeits	99,452	106,169	128,473	129,448	185,771	178,708	143,124	129,283	202,314	176,351
Licenses and permits	94,988	91,230	86,951	102,769	99,300	105,081	102,242	119,658	123,029	127,546
Charges for services	184,709	202,079	234,598	257,884	252,332	247,426	256,020	290,020	273,404	290,425
Investment earnings	95,847	28,242	19,156	5,789	21,728	6,608	6,810	5,855	11,601	14,039
Miscellaneous	457,747	524,046	447,365	549,006	514,694	511,582	552,455	414,500	457,163	470,392
Federal contributions	433,206	573,446	670,186	617,845	554,979	555,038	519,846	554,342	521,828	535,131
Operating grants	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	3,517,441
<b>Total revenues</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>12,654,978</b>
<b>EXPENDITURES</b>										
Governmental direction and support	695,175	672,463	657,935	698,117	787,331	810,803	920,513	1,027,473	1,068,253	1,070,683
Economic development and regulation	461,707	405,140	388,424	351,814	318,266	383,143	411,812	448,244	560,365	578,242
Public safety and justice	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	1,596,144
Public education system	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	2,500,267
Human support services	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	4,814,189
Public works	416,982	388,713	318,590	265,750	342,215	287,598	329,355	354,686	365,437	390,741
Public transportation	214,905	230,499	243,668	257,703	221,339	284,851	309,436	335,703	359,097	368,014
Debt service:										
Principal	251,998	277,523	209,746	211,696	217,645	254,312	306,498	301,001	361,375	333,305
Interest	287,354	292,484	300,123	333,872	375,461	410,020	422,450	421,549	449,347	470,307
Fiscal charges	25,330	19,659	64,532	14,296	15,447	8,640	4,895	8,311	3,732	7,849
<b>Total debt service</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>811,461</b>
<b>Subtotal expenditures</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>	<b>12,129,741</b>
Capital outlay	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	1,233,004
<b>Total expenditures</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>13,362,745</b>
<b>Excess (deficiency) of revenues over (under) expenditures</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>(707,767)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Debt issuance	664,105	491,645	750,298	745,025	439,370	833,286	597,230	1,034,252	431,815	398,911
Refunding debt issuance	675,895	580,140	835,010	63,860	608,210	25,005	475,305	231,255	95,575	1,168,615
Premium on sale of bonds	36,282	50,198	89,505	24,711	124,679	154,681	85,679	155,540	84,235	177,402
Payment to refunded bond escrow agent	(675,385)	(607,640)	(855,011)	(63,335)	(679,843)	(28,929)	(503,439)	(256,765)	(95,120)	(1,287,378)
Equipment financing program	36,479	62,068	34,162	45,801	49,463	41,016	31,716	25,590	11,368	-
Transfers in	477,829	447,639	429,033	302,059	353,087	364,563	331,676	358,736	460,462	358,002
Transfers out	(407,529)	(378,864)	(332,409)	(230,748)	(286,683)	(296,249)	(276,710)	(303,150)	(407,175)	(312,402)
Sale of capital assets	726	6,800	-	-	450	3,913	1,050	-	15,800	451
<b>Total other financing sources</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>	<b>503,601</b>
Special items	175,250	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</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>	<b>\$ (204,166)</b>
Total capitalized expenditures	\$ 1,402,291	\$ 1,222,453	\$ 1,455,655	\$ 936,823	\$ 999,605	\$ 925,053	\$ 893,504	\$ 905,635	\$ 936,960	\$ 1,031,265
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.23%</b>	<b>6.40%</b>	<b>5.54%</b>	<b>5.64%</b>	<b>6.08%</b>	<b>6.41%</b>	<b>6.72%</b>	<b>6.34%</b>	<b>6.85%</b>	<b>6.52%</b>

\* Due to the District's policy change in the recognition of personal property tax revenues, fiscal year 2010 amounts were 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 Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental	Total					
2008	\$ 1,666,315	\$ 59,690	\$ 33,086	\$ 1,759,091	\$ 1,101,859	\$ 1,755,894	\$ 302,873	\$ 413,401	\$ 5,333,118
2009	1,832,748	69,163	32,612	1,934,523	1,052,011	1,478,068	315,976	261,909	5,042,487
2010	1,790,519	56,501 *	34,264 **	1,881,284	1,081,005	1,434,131	295,531	264,959	4,956,910
2011	1,715,069	52,696	32,980	1,800,745	1,121,257	1,656,283	279,002	403,199	5,260,486
2012	1,843,918	55,734	35,134	1,934,786	1,218,576	1,956,590	319,036	404,066	5,833,054
2013	1,940,169	54,878	45,450	2,040,497	1,247,374	2,094,179	345,852	400,308	6,128,210
2014	2,037,905	55,413	41,719	2,135,037	1,282,573	2,094,754	389,539	423,354	6,325,257
2015	2,219,859	57,225	79,243	2,356,327	1,425,525	2,316,727	361,293	528,866	6,988,738
2016	2,386,010	59,101	58,780	2,503,891	1,451,441	2,464,330	365,305	498,161	7,283,128
2017	2,500,732	63,305	53,066	2,617,103	1,527,120	2,512,522	364,791	502,117	7,523,653

\* Due to the District's policy change in the recognition of personal property tax revenues, fiscal year 2010 amounts were 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 *					
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%
2017	89,970,074	111,600,290	201,570,364	96,439,565	298,009,929	1.22	32.4%

\* After deduction of homestead exemption and credits against tax for 2008-2017; Does not reflect the 2008-2017 Cap Assessment of 10% for Class 01 with Homestead Exemptions

\*\*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 (Per \$100 Assessed Valuation)			
	Basic Rate	General Obligation Debt Service	Redevelopment Program	Total Direct
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
2017	1.08	0.14	-	1.22

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 Receipts	
	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
2008	0.85	0.85	1.85	1.85	5.00**	3.40	0.0575	1.00	0.20	0.040-0.085	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	0.040-0.085	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	0.040-0.085	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	0.040-0.085	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	0.040-0.089	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	0.040-0.089	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	0.040-0.089	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	0.040-0.089	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	0.040-0.089	0.09200	0.11	0.10
2017	0.85	0.85	1.85	1.85	0.85/1.65/1.85	3.40	0.0575	2.94***	0.24	0.040-0.089	0.09000	0.11	0.10

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

\*\* Unimproved property reverted to its native Class and rate. A new 'Blighted' category was assigned Class 3 and taxed at the \$10.00 rate.

\*\*\*20 packs only, 25 packs was discontinued

(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)

Source: Office of Tax and Revenue

## Principal Property Taxpayers

## Exhibit S-2D

Current Year and Nine Years Ago

(dollars in thousands)

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
CC OWNER LLC	\$ 771,853	1	0.383%	\$ 113,326	126	0.079%
JBG/FEDERAL CENTER LLC	677,097	2	0.336%	574,985	1	0.402%
CARR CRHP PROPERTIES LLC	632,503	3	0.314%	397,300	3	0.278%
WASHINGTON SQUARE LIMITED PARTNERSHIP	604,977	4	0.300%	376,622	4	0.263%
555 12TH REIT LLC	521,800	5	0.259%	489,564	2	0.342%
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	506,420	6	0.251%	347,451	6	0.243%
WARNER INVESTMENTS LP	452,551	7	0.225%	350,055	5	0.245%
MAPS 180 K STREET LLC	433,484	8	0.215%	250,000	21	0.175%
13th & F ASSOCIATES LP	432,479	9	0.215%	***	***	***
BP/CRF 901 NEW YORK AVENUE LLC	409,888	10	0.203%	302,722	9	0.212%

\*\*\* Property square and lot was not active in 2008

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	\$ 671,030
Inter-american development bank	612,940
International bank for reconstruction & development	558,033
Protestant episcopal cathedral foundation DC	453,773
Catholic university of america	386,066
International monetary fund	383,677
Howard university	372,994
President and directors of georgetown university	368,584
International monetary fund	348,700
The freedom forum inc	279,353

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 Year Ended Sept 30	Current Levy			Prior Years			Total		
	Levy	Collections	Percent Collected	Outstanding Balances Billed	Collections	Percent Collected	Billed	Collected	Total
2008	\$ 1,662,835	\$ 1,615,583 <sup>A</sup>	97.2%	\$ 70,895	\$ 59,885 <sup>A</sup>	84.5%	\$ 1,733,730	\$ 1,675,468	96.6%
2009	1,861,953	1,752,290 <sup>B</sup>	94.1%	100,910	65,868 <sup>B</sup>	65.3%	1,962,863	1,818,158	92.6%
2010	1,792,100	1,735,602 <sup>C</sup>	96.8%	144,883	94,683 <sup>C</sup>	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%
2017	2,517,747	2,423,501	96.3%	98,206	77,186	78.6%	2,615,953	2,500,687	95.6%

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

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

C. 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

Top Income Tax Rate is Applied to Taxable Income in Excess of Listed Amounts							Average Effective Rate*
Year	Top Rate	Single	Married Filing Jointly	Head of Household			
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%	1,000,000	1,000,000	1,000,000	6.28%		
2017	8.95%	1,000,000	1,000,000	1,000,000	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

	2017				2008			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	75,325	21.0%	\$ 1,309,553,573	75.1%	43,655	13.8%	\$ 972,425,113	70.3%
\$75,001 - \$100,000	32,762	9.1%	148,103,531	8.5%	21,087	6.7%	98,193,991	7.1%
\$50,001 - \$75,000	54,642	15.3%	151,563,713	8.7%	39,332	12.5%	116,042,988	8.4%
\$25,001 - \$50,000	83,630	23.4%	111,199,230	6.4%	81,117	25.7%	118,585,646	8.6%
\$10,001 - \$25,000	65,847	18.4%	22,913,910	1.3%	64,312	20.4%	32,209,666	2.3%
\$10,000 and lower	45,859	12.8%	1,423,627	0.1%	66,093	20.9%	45,511,953	3.3%
Total	358,065	100.0%	\$ 1,744,757,584	100.0%	315,596	100.0%	\$ 1,382,969,357	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 Obligation Bonds (GO) **	Actual Value of Taxable Property	GO Bonds as a Percentage of Actual Value of Taxable Property	GO Debt Per Capita *
2008	\$ 4,620,585	\$ 142,958,188	3.23%	\$ 7,966
2009	3,807,419	153,039,555	2.49%	6,349
2010	2,811,577	150,117,289	1.87%	4,646
2011	2,857,379	139,287,502	2.05%	4,606
2012	2,311,472	146,501,957	1.58%	3,640
2013	2,292,137	151,744,722	1.51%	3,531
2014	2,880,167	160,300,070	1.80%	4,365
2015	3,760,355	176,911,153	2.13%	5,609
2016	4,116,944	189,102,606	2.18%	6,016
2017	4,509,101	201,570,364	2.24%	6,498

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

\*\* The GO Bonds outstanding were updated to show amounts net of related premiums and discounts.

## 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 Increment	Real Property Tax Increment	Debt Service			Coverage	Individual Income Tax	Business Franchise Tax	Debt Service		
			Principal	Interest					Principal	Interest	Coverage
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%	
2017	10,686	8,953	4,136	6,852	178.73%	1,958,277	554,245	119,300	200,542	785.55%	

## Note:

Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements (Note 8 presented on pages 107 through 118).

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				
2008	\$ 4,620,585	\$ -	\$ 93,212	\$ 6,453	\$ 264,777	\$ 52,403	\$ 521,219	\$ 33,338	\$ 154,111	\$ -	\$ 711,158	\$ 6,457,256	\$ 40,359,750	16.0%	\$ 11,132	\$ 9,906
2009	3,807,419	1,108,044	89,456	5,810	254,645	44,492	516,852	32,791	140,869	-	698,797	6,699,175	40,403,096	16.6%	11,172	10,006
2010	2,811,577	2,614,404	85,737	9,097	243,903	36,108	512,542	85,278	156,753	-	688,195	7,243,594	41,499,722	17.5%	11,969	10,832
2011	2,857,379	3,084,964	82,042	8,573	232,687	27,433	507,637	83,970	142,746	87,783	679,532	7,794,746	45,272,125	17.2%	12,564	11,327
2012	2,311,472	3,958,214	115,567	7,351	220,967	18,972	504,000	82,453	128,594	83,475	673,099	8,104,164	46,873,665	17.3%	12,762	11,570
2013	2,292,137	4,830,169	113,945	6,682	211,586	11,024	507,916	123,044	82,207	130,112	643,803	8,952,625	48,118,236	18.6%	13,792	12,600
2014	2,880,167	4,835,781	109,488	5,736	-	8,162	479,704	120,476	70,030	122,144	628,074	9,259,762	46,015,860	20.1%	14,033	12,896
2015	3,760,355	4,666,600	105,108	4,791	-	5,105	472,273	117,814	215,647	114,001	613,600	10,075,294	48,453,108	20.8%	15,029	13,944
2016	4,116,944	4,519,000	100,443	3,845	-	1,837	374,514	114,994	214,213	104,634	598,710	10,149,134	51,842,801	19.6%	14,831	13,803
2017	4,509,101	4,278,885	95,885	3,155	-	-	336,406	112,109	205,696	96,201	581,533	10,218,971	53,300,341	19.2%	14,725	13,749

## 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

Outstanding debts are updated to show amounts net of related premiums and discounts. Prior years amounts are also revised to reflect this change.

## Legal Debt Margin Information

## Exhibit S-3D

## Last Ten Fiscal Years

(dollars in thousands)

## Debt Service Cost Margin Calculation for Fiscal Year 2017:

General fund revenue	\$ 8,306,657
Debt service cost limitation (17% of general fund revenue)	\$ 1,412,132
Debt expenditure applicable to limit:	
Principal	\$ 256,575
Interest	388,128
Subtotal for current year	644,703
Highest debt service cost	644,703
Total debt service cost subject to the limitation	644,703
<b>Debt service cost margin</b>	<b>\$ 767,429</b>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt service cost limitation	\$ 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	\$ 1,412,132
Highest debt service cost	456,152	408,506	408,555	456,152	464,994	513,639	576,273	596,468	591,653	644,703
Debt service cost margin	583,559	594,268	568,904	563,040	654,366	651,642	629,945	705,957	780,903	767,429
Total debt service cost subject to the limit as a percentage of debt service cost limit	43.9%	40.7%	41.8%	44.8%	41.5%	44.1%	47.8%	45.8%	43.1%	45.7%
Debt limit ratio	7.5%	6.9%	7.1%	7.6%	7.1%	7.5%	8.1%	7.8%	7.3%	7.8%

## 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 limit ratio 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.

## Limitation On Borrowing

(dollars in thousands)

General Fund Expenditures <sup>1</sup>	\$ 7,922,665
General Fund Transfers out <sup>1</sup>	202,278
Adjustment for Transfer to Component Agency (UDC) <sup>1</sup>	39,206
Adjustment for TIFs and PILOTs Bonds and Notes Debt Service Transfers <sup>1</sup>	38,086
Adjustment for Ballpark Revenue Bond Debt Service Transfers <sup>1</sup>	57,237
Adjustment for Convention Center Hotel Debt Service Transfers <sup>1</sup>	14,661
Total	<u>\$ 8,274,133</u>
Limitation on borrowing (12%)	\$ 992,896
FY 2017 debt service cost	838,355
Margin on Limitation:	<u>\$ 154,541</u>

FY 2017 Debt service percentage: 10.13%

	Debt Service Expenditures by Fiscal Year											
	2017			2018			2019			2020		
Long-Term Debt	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds <sup>2</sup>	\$ 130,055	\$ 194,672	\$ 324,727	\$ 125,900	\$ 193,010	\$ 318,910	\$ 145,055	\$ 186,629	\$ 331,684	\$ 192,845	\$ 179,466	\$ 372,311
Income Tax Secured Revenue Bonds <sup>2</sup>	119,300	200,542	319,842	154,505	195,697	350,202	176,485	188,222	364,707	153,815	180,795	334,610
TIF Bonds <sup>3</sup>	4,136	6,852	10,988	6,843	7,228	14,071	4,621	7,600	12,221	4,398	7,576	11,974
TIF Notes <sup>4, 5</sup>	1,793	3,673	5,466	1,403	3,663	5,066	1,570	3,558	5,128	1,502	3,442	4,944
QZAB	690	-	690	690	-	690	454	-	454	454	-	454
Capital Leases	1,837	37	1,874	-	-	-	-	-	-	-	-	-
Ballpark Revenue Bonds	37,300	19,937	57,237	2,245	18,343	20,588	10,875	17,989	28,864	3,055	17,610	20,665
Equipment Financing Program	26,397	1,047	27,444	18,690	564	19,254	11,614	230	11,844	4,438	48	4,486
HPTF Revenue Bonds	2,725	5,100	7,825	2,850	4,972	7,822	2,990	4,839	7,829	3,140	4,689	7,829
PILOT Bonds <sup>6</sup>	10,780	9,340	20,120	10,391	9,321	19,712	11,326	12,314	23,640	11,916	12,103	24,019
PILOT Notes <sup>7</sup>	980	532	1,512	391	482	873	413	460	873	437	437	874
225 Virginia Avenue Lease	3,333	6,159	9,492	3,565	5,709	9,274	3,813	5,461	9,274	4,078	5,195	9,273
Washington Convention and Sports Authority	19,835	31,303	51,138	20,655	30,283	50,938	21,600	29,244	50,844	23,425	28,094	51,519
Total	<u>\$ 359,161</u>	<u>\$ 479,194</u>	<u>\$ 838,355</u>	<u>\$ 348,128</u>	<u>\$ 469,272</u>	<u>\$ 817,400</u>	<u>\$ 390,816</u>	<u>\$ 456,546</u>	<u>\$ 847,362</u>	<u>\$ 403,503</u>	<u>\$ 439,455</u>	<u>\$ 842,958</u>

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 rate for unhedged variable rate bonds calculated at 3.00%.

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, and Verizon Center.

5) Adjustments are made to TIF Notes to reflect actual principal prepayment.

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. Adjustments are made to PILOT Notes to reflect actual principal prepayment.

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 (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1a)	Employment (4)(5)	Unemployment Rate (4)	Claims Accepted (6)	Claims Rejected (6)
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	684,336	51,842,801	75,756	33.9	780,400	6.1%	19,593	11,344
2017	693,972	53,300,341	76,805	N/A	789,500	6.5%	22,821	14,010

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) Total non-farm employment from Current Employment Statistics (CES) from US Bureau of Labor Statistics

6) 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 Private Sector Employers

## Exhibit S-4B

## Current Year and Ten Years Ago

Employer	2017			2007		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Georgetown University	*	1	*	*	1	*
George Washington University	*	2	*	*	4	*
Children's National Medical Center	*	3	*	*	5	*
American University	*	4	*	*	3	*
Georgetown University Hospital	*	5	*	*	8	*
Booz Allen & Hamilton, Inc	*	6	*	*	7	*
Howard University	*	7	*	*	6	*
Fannie Mae	*	8	*	*	99	*
Catholic University Of America	*	9	*	*	2	*
Red Coats	*	10	*	*	110	*
Allied Barton Security Services	*	11	*	*	42	*
George Washington University Hospital	*	12	*	*	15	*
Howard University Hospital	*	13	*	*	14	*
Sibley Memorial Hospital	*	14	*	*	13	*
Corporate Advisory Board Co.	*	15	*	*	10	*
<b>Total</b>	<b>56,613</b>		<b>10.8%</b>	<b>44,120</b>		<b>9.7%</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>GOVERNMENTAL DIRECTION AND SUPPORT</b>										
<b>General Obligation Bonds (1)</b>										
Bond Rating by S&P	A+	A+	A+	A+	A+	AA-	AA	AA	AA	AA
Bond Rating by Moody's	A1	A1	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1	Aa1
Bond Rating by Fitch	A+	A+	AA-	AA-	AA-	AA-	AA	AA	AA	AA
<b>Income Tax Secured Revenue Bond* (1)</b>										
Bond Rating by S&P	-	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Bond Rating by Moody's	-	Aa2	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Bond Rating by Fitch	-	AA	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+
<b>ECONOMIC DEVELOPMENT AND REGULATION (2)</b>										
Taxable Retail Sales (\$ millions)	\$ 11,048	\$ 10,198	\$ 11,191	\$ 11,697	\$ 12,610	\$ 13,083	\$ 13,717	\$ 14,659	\$ 15,270	\$ 16,654
Commercial Construction Units	156	107	138	124	117	96	327	97	125	179
Commercial Construction Value (\$000s)	\$ 1,938,197	\$ 2,321,216	\$ 1,518,394	\$ 941,963	\$ 649,872	\$ 954,718	\$ 2,542,032	\$ 1,902,211	\$ 1,701,364	\$ 2,448,918
Residential Construction Units	1,237	1,003	850	899	855	1,199	1,369	1,121	1,304	1,227
Residential Construction Value (\$000s)	\$ 276,722	\$ 269,812	\$ 214,187	\$ 235,996	\$ 261,314	\$ 382,192	\$ 425,194	\$ 391,467	\$ 433,979	\$ 445,223
<b>Housing Finance Agency (3)</b>										
Number of Single-Family Units Financed	218	109	15	53	16	2	192	236	205	199
Amount of Single-Family Financing Provided (\$000s)	\$ 43,795	\$ 24,750	\$ 2,704	\$ 9,897	\$ 3,604	\$ 619	\$ 53,068	\$ 65,183	\$ 62,902	\$ 52,538
Number of Multi-Family Units Financed	917	297	1,307	729	1,608	939	1,008	1,325	2,090	899
Amount of Multi-Family Financing Provided (\$000s)	\$ 91,014	\$ 28,255	\$ 137,000	\$ 78,512	\$ 183,002	\$ 139,347	\$ 194,600	\$ 171,401	\$ 294,735	\$ 168,960
Total Number of Housing Units Financed	1,135	406	1,322	782	1,624	941	1,200	1,561	2,295	1,098
Total Amount of Housing Financing Provided (\$000s)	\$ 134,809	\$ 53,005	\$ 139,704	\$ 88,409	\$ 186,606	\$ 139,966	\$ 247,668	\$ 236,584	\$ 357,637	\$ 221,498
<b>PUBLIC SAFETY AND JUSTICE (4)</b>										
<b>Police</b>										
Crime Index Offenses	35,351	34,977	30,872	31,772	36,154	35,752	37,662	37,471	35,714	34,774
Number of Police Officers	4,050	4,047	3,960	3,801	3,907	4,010	3,971	3,839	3,737	3,821
<b>Fire &amp; EMS</b>										
Number of Operational Personnel	1,958	1,958	1,946	1,941	1,874	1,998	1,877	1,864	1,875	1,892
Total Number of Incidents	158,919	165,725	162,440	161,795	167,939	167,335	179,319	197,092	205,988	201,404
Total Number of Fire/Rescue Incidents	32,396	30,728	31,562	31,527	30,296	29,823	32,313	34,924	34,840	35,712
Number of Medical Incidents	126,523	134,997	130,878	130,268	137,643	137,512	147,006	162,168	171,148	165,692
Total Number of Transports	81,981	86,824	94,039	97,689	101,208	102,987	109,044	115,262	92,695	55,078
Inspections	13,175	22,716	24,862	14,231	11,470	12,482	13,159	10,148	11,814	12,181
<b>PUBLIC LIBRARY (5)</b>										
Number of Volumes	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	1,055,037

## Operating Indicators by Function/Program

## Exhibit S-5A

Last Ten Fiscal Years

(Continued)

Function/Program	Operating Indicators									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>PUBLIC EDUCATION SYSTEM</b>										
<b>D.C. Public School System (6)</b>										
Number of School Teachers	4,328	3,722	3,758	3,850	3,775	3,392	3,585	3,684	3,999	3,996
Number of School Students	46,208	46,132	45,772	48,737	45,191	45,557	46,393	47,548	48,757	48,555
Number of High School Graduates	2,555	2,679	2,790	2,954	2,919	2,864	2,702	2,784	2,764	2,844
<b>University of the District of Columbia (7)</b>										
Number of Teachers	247	241	231	222	260	250	223	230	237	235
Number of Students	5,595	5,260	5,855	5,286	5,490	5,352	5,118	5,118	4,585	4,537
Number of Graduates	218	711	602	641	705	832	866	795	735	393
<b>PUBLIC WORKS/PUBLIC TRANSPORTATION (8)</b>										
Street Resurfaced (includes reconstruction); Regular Cover; Pavement Restoration (miles)	32.10	18.00	13.00	14.00	17.00	19.30	27.20	42.00	50.70	21.40
Potholes Repaired	2,800	2,400	5,580	6,863	26,233	24,718	65,332	72,719	75,417	15,799
Refuse Collected (tons per day)	404	378	390	393	382	361	354	340	386	328
Recyclables Collected (tons per day)	98	105	110	107	133	145	130	116	96	115
Tons of Bulk Trash Removed	4,025	4,136	3,611	3,536	2,944	2,594	2,558	2,597	3,612	2,977
Tons of Leaves Removed	10,072	8,289	8,050	6,914	5,659	5,920	6,054	5,798	7,221	6,110
Tons of Snow Removed **	674,225	808,732	5,298,905	850,000	105,487	218,005	2,250,383	1,265,841	1,962,054	N/A
<b>Department of Motor Vehicles (9)</b>										
Number of Motor Vehicle Registrations (1/1 - 12/31)	269,549	259,367	276,585	278,915	284,674	289,028	296,210	303,039	309,332	310,031
Number of Operator Licenses Issued (1/1 - 12/31)	112,072	110,846	109,630	111,354	120,372	119,303	81,656	80,459	125,901	139,587
Number of Operator Licenses Outstanding (1/1 - 12/31)	342,816	340,316	348,036	357,228	370,805	411,356	416,289	448,304	466,293	475,834
<b>CONVENTION CENTER (10)</b>										
Conferences Held	183	204	214	231	201	209	204	233	217	184
Attendees	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	1,163,753

\* First issued in fiscal year 2009

\*\* N/A - information not available for fiscal year 2017

(1) Source: Office of Finance and Treasury

(2) Source: Office of Tax and Revenue

(3) Source: District of Columbia Housing Finance Agency

(4) Source: Metropolitan Police Department and Fire and Emergency Medical Services Department

(5) Source: District of Columbia Public Library. Reduction in volume due to electronic conversions

(6) Source: District of Columbia Public Schools

(7) Source: University of the District of Columbia

(8) Source: District Department of Transportation and Department of Public Works

(9) Source: Department of Motor Vehicles

(10) Source: Washington Convention and Sports Authority

## Capital Asset Statistics by Function/Program

Exhibit S-5B

## Last Ten Fiscal Years

Function/Program	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police (1)</b>										
Police Stations Including Satellites	17	11	11	11	11	11	11	11	11	11
Number of Patrol Cars	1,242	1,200	1,183	1,195	1,196	1,197	1,224	1,259	1,240	1,245
<b>Fire (2)</b>										
Number of Fire and EMS stations	34	34	34	34	34	34	34	34	34	34
Number of Front-line Emergency Vehicles	111	126	126	123	123	123	124	94	114	168
<b>EMS (2)</b>										
Number of Ambulances	79	77	78	89	73	110	98	86	88	96
<b>D.C. Public School System (3)</b>										
Number of Schools	144	131	122	123	122	122	112	112	115	115
Number of School Buses	727	790	753	802	838	880	799	601	626	808
<b>Public Library (4)</b>										
Number of Main and Branch Buildings	22	24	25	25	26	26	26	26	26	26
Number of Community and Kiosk Facilities	5	-	-	-	-	-	-	-	-	-
<b>Parks and Recreation (5)</b>										
Acreage	836	836	836	883	883	931	931	931	931	931
Number of Recreation & Community Centers	75	75	79	78	78	74	73	73	74	73
Number of Day Camps	71	68	76	91	88	96	96	82	84	119
Number of Outdoor Swimming Pools	24	24	23	23	24	22	22	22	23	21
Number of Indoor Swimming Pools	7	7	10	8	8	8	11	11	15	11
<b>Public Works/Public Transportation (6)</b>										
Number of Refuse Collection Trucks	77	84	71	70	64	64	69	68	74	81
Primary Street Miles	126	126	126	126	126	135	134	134	134	134
Secondary Street Miles	1,007	1,007	1,007	1,007	1,007	1,007	1,009	1,117	1,117	1,117
Number of Street Lights	68,000	68,000	68,000	68,000	69,350	70,182	70,828	70,809	69,708	74,188
Number of Signalized Intersections	1,575	1,600	1,700	1,603	1,603	1,645	1,652	1,524	1,403	1,528
Number of Trees	144,000	145,312	146,920	144,000	148,980	147,276	147,376	153,990	150,288	148,726
<b>D.C. Water &amp; Sewer Authority (7)</b>										
Miles of Water Mains	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,350
Miles of Sewer Mains	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

(1) Source: Metropolitan Police Department

(2) Source: Fire and Emergency Medical Services Department

(3) Source: District of Columbia Public Schools

(4) Source: District of Columbia Public Library

(5) Source: Department of Parks and Recreation

(6) Source: District Department of Transportation and Department of Public Works

(7) Source: District of Columbia Water and Sewer Authority



**Budgeted Full-Time Equivalent District Government Employees, by Function, General Funds**
**Exhibit S-5C**
**Last Ten Fiscal Years**

Function	Full-time Equivalent District Government Employees									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental direction and support	2,725	2,726	2,440	2,648	2,994	3,014	3,069	3,178	3,191	3,252
Economic development and regulation	1,220	1,230	1,128	1,040	1,041	1,181	1,282	1,305	1,363	1,493
Public safety and justice	8,720	8,728	8,586	8,505	8,313	8,230	8,192	8,247	8,308	8,653
Public education system	8,618	8,323	7,651	9,253	9,028	8,959	8,701	9,558	9,499	9,530
Human support services	4,816	4,559	3,946	3,782	3,687	3,822	3,992	4,141	4,208	4,498
Public works	2,073	2,197	2,106	2,007	2,146	2,196	2,324	2,397	2,414	2,437
<b>Total</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>	<b>29,863</b>

*Source: Office of Budget and Planning*



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YEAR ENDED SEPTEMBER 30, 2017