

NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2018

(Dollar amounts expressed in thousands)

Notes to the Basic Financial Statements

INDEX

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	62
A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT.....	62
B. FINANCIAL REPORTING ENTITY.....	62
C. BASIS OF PRESENTATION.....	64
D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING.....	66
E. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES.....	68
F. CASH AND INVESTMENTS.....	69
G. INVENTORY.....	70
H. RESTRICTED ASSETS.....	70
I. PREPAID ITEMS.....	70
J. RECEIVABLES AND PAYABLES.....	70
K. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS.....	70
L. CAPITAL ASSETS.....	71
M. DEFERRED OUTFLOWS OF RESOURCES.....	71
N. CAPITAL LEASES.....	71
O. COMPENSATED ABSENCES.....	72
P. LONG-TERM LIABILITIES.....	72
Q. DEFERRED INFLOWS OF RESOURCES.....	72
R. ADOPTION OF NEW ACCOUNTING STANDARDS.....	72
S. NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN THE FUTURE.....	73
T. NET POSITION AND FUND BALANCE.....	74
U. POSTEMPLOYMENT BENEFITS.....	78
V. USE OF ESTIMATES.....	78
W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.....	78
X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS.....	79
Y. RESTATEMENT.....	79
NOTE 2. CASH AND CASH INVESTMENTS	80
A. CASH.....	80
B. INVESTMENTS.....	80
C. SECURITIES LENDING.....	94
NOTE 3. RESTRICTED ASSETS	95
NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES	96
A. RECEIVABLES.....	96
B. INTERFUND TRANSFERS.....	96
C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS.....	97
NOTE 5. CAPITAL ASSETS	98
A. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY CLASS.....	98
B. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY FUNCTION.....	98
C. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION.....	99
D. BUSINESS-TYPE ACTIVITIES: CAPITAL ASSETS.....	99
E. DISCRETELY PRESENTED COMPONENT UNITS: CAPITAL ASSETS.....	100
F. CONSTRUCTION IN PROGRESS.....	102
NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS	103
A. INDUSTRIAL REVENUE BOND PROGRAM.....	103

Notes to the Basic Financial Statements

INDEX

B. ENTERPRISE ZONE FACILITY BONDS	103
C. TAX INCREMENT FINANCING (TIF) NOTES	103
D. PAYMENT IN LIEU OF TAXES REVENUE NOTES	104
E. GROUND LEASE AGREEMENT RELATED TO THE WASHINGTON CONVENTION CENTER HEADQUARTERS HOTEL	104
F. NONEXCHANGE FINANCIAL GUARANTEES	105
NOTE 7. LONG-TERM LIABILITIES	109
A. LONG-TERM LIABILITIES	109
B. ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY.....	113
C. LONG-TERM DEBT ACTIVITY DURING FISCAL YEAR.....	115
D. OTHER LONG-TERM LIABILITIES	117
E. COMPONENT UNITS	118
NOTE 8. RETIREMENT PROGRAMS	120
A. DEFINED BENEFIT PENSION PLANS	120
B. DEFINED CONTRIBUTION PENSION PLAN	125
C. DEFERRED COMPENSATION PLANS	125
NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)	127
NOTE 10. FUND BALANCE/NET POSITION	132
NOTE 11. TAX ABATEMENTS	133
NOTE 12. JOINT VENTURE AND TRANSACTIONS WITH COMPONENT UNITS	134
A. WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY.....	134
B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS.....	134
NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT	135
A. FEDERAL CONTRIBUTIONS	135
B. EMERGENCY PREPAREDNESS.....	135
C. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	135
D. GRANTS.....	135
NOTE 14. LEASES	136
NOTE 15. COMMITMENTS AND CONTINGENCIES	137
A. RISK MANAGEMENT	137
B. GRANTS AND CONTRACTS.....	137
C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS	137
D. LITIGATION.....	137
E. DISABILITY COMPENSATION	138
NOTE 16. SUBSEQUENT EVENTS	139

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 (the Authority or HBX), Housing Finance Agency, University of the District of Columbia (the University), 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 budget 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.

Washington Convention and Sports Authority

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

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 Housing Finance Agency's budget. In addition, the District has the authority to approve or modify rental rates and may overrule certain decisions made by the Housing Finance Agency's Board (i.e., the awarding of contracts valued at \$1 million or more).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The combined 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
<https://hbx.dc.gov>

Washington Convention and Sports Authority

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

Housing Finance Agency

Executive Director
815 Florida Avenue, N.W.
Washington, DC 20001
<http://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>

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.

Based on the application of the criteria outlined above, the District includes two blended component units:

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 "the Hospital Corporation" 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 provides financial support to the Hospital Corporation to help sustain its operations, creating a financial benefit/burden relationship between the District and the Hospital Corporation. In addition, the District is able to impose its will on the Hospital Corporation because the District has the ability to modify or approve the Hospital Corporation's budget. The Not-for-Profit Hospital Corporation is a blended component unit because: (a) it is organized as a not-for-profit corporation and (b) the District is its sole owner.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 not financially accountable even though the District appoints a voting majority of the organization's governing board. 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 (DC Water), 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 Ventures

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; the counties of Arlington, Fairfax, Loudoun, and Prince William in Virginia; and the counties of Montgomery, Anne Arundel, and Prince George's in Maryland. The Washington Metropolitan Area Transit Authority (WMATA) was created in February 1967 to fulfill the purposes of the joint venture.

Pursuant to P.L. 111-62, which revised the WMATA compact agreement, WMATA is governed by an eight-member board and eight alternates, comprised of two directors and two alternates for Maryland, Virginia, the District of Columbia, and the federal government.

The directors and alternates for Maryland are appointed by the Washington Suburban Transit Commission from among its members; for Virginia, by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the Council from its members and mayoral nominees; and for the federal government, by the Administrator for General Services. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial activities of the joint venture in its financial statements. However, condensed financial statements are presented as disclosures. Further information regarding this joint venture is presented in Note 12 found on page 134.

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 finance 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 Statement of Net Position and the Statement of Activities.

Statement of Net Position

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District's governmental and business-type activities and its discretely presented component units. The District reports all debts and capital assets, including infrastructure, in the government-wide Statement of Net Position. The District reports net position in three distinct categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures; charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Nonmajor governmental funds are aggregated into one column in the fund financial statements.

Governmental Funds

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

The General Fund is used to account for all financial resources not accounted for in other funds.

Federal and Private Resources Fund

The Federal and Private Resources Fund is 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

The Housing Production Trust Fund is 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 from 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

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

Nonmajor Governmental Funds

The 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

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

The Lottery and Games Fund is used to account for revenues from sale of lottery products, which is 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

The Unemployment Compensation Fund is 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 and 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Not-for-Profit Hospital Corporation is used to account for revenues, expenses, and capital outlays related to inpatient, outpatient, psychiatric, skilled nursing, and emergency care services for District residents. It is a separate legal entity blended with the proprietary funds of the primary government for financial reporting purposes.

Fiduciary Funds

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. Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government. The District reports the following fiduciary funds:

Pension and Other Postemployment Benefits Funds

Pension and other postemployment benefits funds are used to report the activities of the District's post-employment benefits funds, 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

A private purpose trust fund is used to report any trust arrangement not reported in pension trust funds under which principal and income benefit specific 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

Agency funds are 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.

Prior Year 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, 2017, 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 the 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 paid until after the fiscal year-end.

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. Otherwise, such activity is reported in the government-wide financial statements as incurred.

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; and
- Net investment income, as earned.

Expenditures for benefits and refunds are recognized when due and payable. The Private Purpose Trust Fund recognizes additions to net position when participants' contributions are received.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

E. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES

Process

On or about March 30th of each year, at the direction of the Council, the Mayor submits to the Council an annual budget for the District of Columbia government, which includes: (1) the budget for the forthcoming fiscal year, commencing October 1, specifying the agencies and purposes for which funds are being requested; (2) an annual budget message; (3) a multi-year plan for all agencies of the District government; and (4) a multi-year capital improvement plan by project for all agencies of the District government. The Council holds public hearings and adopts the budget through passage of a Local Budget Act and a Federal Portion Budget Request Act. The Mayor may not forward and the Council may not adopt any budget for which expenditures and other financing uses exceed revenues and other financing sources. On or about May 25th of each year, after receipt of the budget proposal from the Mayor, and after the public hearings, the Council adopts the annual budget for the District of Columbia government. The Mayor submits the Federal Portion Budget Request Act to the President of the United States for transmission by him to Congress. 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, which would require active approval. However, within certain limits, pursuant to D.C. Code § 47-369.02, the District may supplement its General Fund budget with passive approval by Congress by sending notification 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, which are presented in Exhibit 2-d found on page 51, 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. 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 49 due to the following differences:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 79.
- 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.

Budgetary Control

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 and the Federal and Private Resources Fund.

Encumbrances

Encumbrance accounting is used in the governmental funds. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the required portion of an appropriation. Encumbrances outstanding at year-end do not constitute expenditures or liabilities for GAAP or budgetary purposes. Encumbered amounts lapse at year-end in the General Fund and may be re-appropriated and re-encumbered as part of the subsequent year's budget. However, encumbered amounts do not lapse at year-end in the Capital Projects Fund or the Special Revenue Fund.

Encumbered amounts at year-end have been included within the fund balances in **Table N10-1** found on page 132.

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 invested in short-term, highly liquid investments and as such is considered to be 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 90 days 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, 2018, the District invested primarily in money market funds containing 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 investments.

The District's investments are reported at fair value in accordance with GAAP's *fair value measurement and application*. Fair value is defined 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.

Some portfolio investments of the Private Purpose, Pension and OPEB Trust Funds are reported at net asset value (NAV) 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 when incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, *Certain External Investment Pools and Pool Participants*, 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 recorded at the lower of weighted average cost or market. The Not-For-Profit Hospital Corporation is the only component unit which reports inventory recorded at the lower of cost or market. Cost is determined using the first-in-first-out (FIFO) method.

H. RESTRICTED ASSETS

Certain governmental and proprietary fund assets, some assets reported by the component units, and all fiduciary fund assets are restricted as to use by legal or contractual requirements. Any excess of restricted assets and deferred outflows of resources over the related liabilities and deferred inflows of resources 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 investments and 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 assets that lack physical substance; have a useful life of more than one reporting year; and are nonfinancial in nature. For financial reporting purposes, intangible assets that meet the capitalization threshold are reported in the same category as the associated capital asset.

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. **Table N1-1** presents the estimated useful lives for the capital assets by class.

**Table N1-1
Estimated Useful Lives by Asset Class**

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
Mobile Equipment (Including Street Cars)	5-30 years
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.

- The lease term is equal to or greater than 75% of the estimated life of the leased property.
- The present value of minimum lease payments at the inception of the lease equals or exceeds 90% of the fair value of the leased property less any investment tax credit less executory cost retained by the lessor.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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

Capital Appreciation Bonds (CABs) are original issue discount bonds with deferred debt service. The District has two CAB obligations: the Mandarin Oriental Hotel Tax Increment Financing (TIF) Revenue Bonds Series 2002, and the Tobacco Settlement Asset-Backed Bonds Series 2006. The Mandarin TIF CABs were issued to fund the Mandarin Oriental Hotel Project. Scheduled principal payments for the Mandarin TIF CABs began in July 2005. No interest is due on the Mandarin TIF CABs until maturity in 2022. Interest is compounded semi-annually and accrues to full value at maturity. The Tobacco CABs were issued by the District of Columbia Tobacco Settlement Financing Corporation in connection with a Master Settlement Agreement. The Tobacco CABs have deferred principal and interest payments. Interest on the Tobacco CABs is also compounded semi-annually and accrues to full value at maturity in 2046 and 2055. Accreted interest on both CABs is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements.

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 in the same manner as liabilities do.

R. ADOPTION OF NEW ACCOUNTING STANDARDS

During fiscal year 2018, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 governments. In addition, this Statement establishes standards for recognizing and measuring OPEB 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.
- 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.
- 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).
- 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.

Implementation of Statement Nos. 81, 85 and 86 had no material impact on the District's fiscal year 2018 financial statements. However, implementation of Statement No. 75 materially impacted the financial statements for fiscal year 2018. As a result of this statement's implementation, the District recognized

a net OPEB asset which increased the primary government's net position. The details and effect of the change is presented in Note 1Y found on page 79.

More detailed information regarding the requirements contained in these GASB Statements may be found at: 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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain legally enforceable liabilities associated with the retirement of tangible capital assets. Such liabilities are referred to as asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows 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 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 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 reporting periods beginning after December 15, 2018, the District's fiscal year 2020.

- 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 inflows of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for debt; terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

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

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting and financial reporting requirements which will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

- Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as an investment or a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity

interest, accounts for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value, at the acquisition date.

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

The District has not determined the impact, if any, that the implementation of Statement Nos. 83, 84, and 87 through 90 will have on its financial statements. Accordingly, no determination has been made regarding the materiality of impact.

More detailed information regarding the requirements contained in these GASB Statements may be found at: 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

constitutional provisions or enabling legislation.

- **Committed** – Resources which can only be used for specific purposes pursuant to limitations imposed by formal action of the District government's highest level of decision-making authority. Resources can only be committed if the formal action is issued on or before the end of the fiscal year. Amounts in this category may be redeployed for other purposes with the appropriate due process. Committed amounts cannot be used for any other purpose unless the District government removes or changes the specified use by taking the same type of action it used to previously commit the amounts.
- **Assigned** – Resources neither restricted nor committed for which the District has a stated intended use as established by the highest level of decision-making authority, or a body or official to which the authority to assign amounts for specific purposes was delegated. These are resources where the constraints/restrictions are less binding than that for committed resources.
- **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, any assigned amount within the fund must be reduced first and then, if there are no further assigned amounts to reduce, the negative residual amount should be reported as negative unassigned fund balance.

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. 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, 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 76.

As of September 30, 2018, the District's fund balance included the following categories (see **Table N10-1** on page 132):

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 the 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 2018 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Payment in Lieu of Taxes (PILOT)

This portion of fund balance is restricted for payment of future debt service associated with the PILOT Revenue Bonds.

Tobacco Settlement

This portion of fund balance is restricted to pay future debt service and related expenses associated with the Tobacco Corporation's issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

Tax Increment Financing (TIF) Program

This portion of fund balance is restricted for debt service on TIF Bonds.

Housing Production Trust

This portion of fund balance is restricted to provide financial assistance to developers for the planning and production of low, very low, and extremely low-income housing and related facilities.

Highway Projects

This portion of fund balance is restricted for the purpose of executing federal highway projects.

Baseball Special Revenue

This portion of fund balance represents resources set aside for baseball debt service payments.

Committed Fund Balance

Fiscal Stabilization Reserve

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

Cash Flow Reserve

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

Budget Support Act

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

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.

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 2019 budget approved by the District Council.

Other Special Purposes

This portion of fund balance is committed to activities financed by specific sources of revenues as authorized by formal action of the District Council i.e., resources collected for Pepco cost sharing fund (D.C. Plug), 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.

Assigned Fund Balance

Subsequent Years' Expenditures

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

Unassigned Fund Balance

Capital Projects

This portion of fund balance is restricted for the purpose of executing capital projects. The Capital Projects Fund reported a negative unassigned fund balance at September 30, 2018 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, 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 Cash Reserve

The contingency cash 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

process has occurred, or opportunities to achieve cost savings. In addition, the contingency cash 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 cash 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.

The District must replenish the contingency cash reserve for any amounts used from this reserve. During the annual budgeting process, the District takes the necessary measures to restore amounts used during the preceding year. When replenishing the contingency cash reserve, the District must comply with the following:

- At least 50% of the amount used from the reserve must be replenished in the first year after its use. The District also has the option of restoring the contingency cash reserve to the required 4.00% balance. The District should choose the option that involves the lesser amount.
- If the District replenishes only 50% of the amount used from the reserve in the first year after use, by the end of the second year, the remaining 50% is to be replenished or the amount needed to restore the reserve to the required 4.00% balance must be allocated. The District should choose the option that involves the lesser amount.

Emergency Cash Reserve

The emergency cash 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 cash reserve fund may also be used in the event that a State of Emergency is declared by the Mayor. However, the emergency cash 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.

The District must replenish the emergency cash reserve for any amounts used from this reserve. During the annual budgeting process, the District takes the necessary measures to restore amounts used during the preceding year. When replenishing the emergency cash reserve, the District must comply with the following:

- At least 50% of the amount used from the reserve must be replenished in the first year after its use. The District also has the option of restoring the contingency cash reserve to the required 2.00%

balance. The District should choose the option that involves the lesser amount.

- If the District replenishes only 50% of the amount used from the reserve in the first year after use, by the end of the second year, the remaining 50% is to be replenished or the amount needed to restore the emergency cash reserve to the required 2.00% balance must be allocated. The District should choose the option that involves the lesser amount.

Committed Fund Balances

Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency cash 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, for any given fiscal year, the fiscal stabilization reserve must equal 2.34% of the District's General Fund operating expenditures for that 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, for any given fiscal year, the cash flow reserve must equal 8.33% of the District's General Fund operating budget for that 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. If Congress takes action to reduce the funding limits for the contingency cash reserve and the emergency cash reserve, the Council of the District of Columbia has legally mandated that the fiscal stabilization reserve be increased by that same amount.

If at the end of any given fiscal year, the District has fully funded the emergency cash, contingency cash, fiscal stabilization, and cash flow reserves, all additional uncommitted amounts in the unrestricted fund balance of the General Fund of the District, as certified by the Comprehensive Annual Financial Report for that fiscal year, must be used for the following purposes: (a) 50% must be deposited in the Housing Production Trust Fund; and (b) 50% must be reserved for Pay-as-you-go capital projects.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The District Retirement Funds' fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, as reported by DCRB. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plans. Investments of the District Retirement Funds are reported at fair value in accordance with GASB Statement No. 72. Further information regarding the District Retirement Funds is presented in Note 8 on page 120.

Other Retirement Programs

The District sponsors a defined contribution pension plan with a qualified trust under the Internal Revenue Code (IRC) Section 401(a) and the provisions of D.C. Code §1-627, for permanent full-time employees covered under the Social Security System, where new District employees become eligible after one year of service. The District contributes 5.00% of base salaries for eligible employees each pay period (5.50% for detention officers). Contributions and earnings vest incrementally after two years of service, and fully, after five years of service. Additional information about the defined contribution pension plan and other retirement programs sponsored by the District such as: 1) the Internal Revenue Code Section 403(b) Plan and 2) the Internal Revenue Code Section 457 Plan are presented in Note 8 on pages 120 through 126.

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 8 and pursuant to D.C. Code § 1-621.13, District employees hired after September 30, 1987, who retire may be eligible to continue their healthcare

benefits. Furthermore, in accordance with D.C. Code §1- 622.16, these employees may convert their group life insurance to individual life insurance. The expense of providing such benefits to employees hired prior to October 1, 1987, is paid by the federal government and the District has no liability for these costs. However, the District provides health and life insurance benefits to retirees first employed by the District after September 30, 1987, through its OPEB Plan.

The OPEB Plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, as reported by the OPEB Plan. Accordingly, benefit payments are recognized when due and payable in accordance with the terms of the OPEB plan. Investments of the OPEB Plan are reported at fair value in accordance with GASB Statement No. 72. Further information regarding OPEB is presented in Note 9, found on pages 127 through 131.

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 a 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 48.

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. This reconciliation is presented in Exhibit 2-c found on page 50.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Table N1-2 presents the reconciliation of the budgetary basis operating results to the GAAP basis.

Table N1-2
Reconciliation Of Budgetary Basis To GAAP Basis (\$000s)

	General Fund	Federal And Private Resources
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ 104,236	\$ 4,669
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	(6,698)	-
Transfers/Reclassifications	2,554	(4,731)
Excess (deficit) of revenues and other sources over (under) expenditures and other uses - GAAP basis	\$ 100,092	\$ (62)

Y. RESTATEMENT

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. As a result of this implementation, beginning net position of the governmental activities increased by \$141,682 as of October 1, 2017. This change is a result of the cumulative effect of the recognition of net OPEB asset related to the District's

OPEB Plan. The District did not restate the fiscal year 2017 amounts, as shown in the summarized comparative totals column within the financial statements, as it was not practical and the information was not available.

Table N1-3 presents the cumulative effect of the change in accounting principles.

Table N1-3
Restatement (\$000s)

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Net position at October 1, 2017, as previously reported	\$ 4,875,603	\$ 507,258	\$ 5,382,861
Cumulative effect of change in accounting principles	141,682	-	141,682
Net position at October 1, 2017, as restated	\$ 5,017,285	\$ 507,258	\$ 5,524,543

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 these assets, 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 cash deposits in the custody of the District as of September 30, 2018, were insured or collateralized with securities held by the District or by its agent in the District's name. As of September 30, 2018, the carrying amount of cash and cash equivalents for the primary government, including the fiduciary funds was \$3,865,826, and the carrying amount of cash (deposits) for the component units was \$364,859.

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, money market funds (categorized as cash equivalents), municipal obligations, collateralized or insured certificates of deposit, prime commercial paper, bankers' acceptances and repurchase agreements fully collateralized in obligations of the United States government and agency securities. During fiscal year 2018, 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 money market funds, collateralized certificates of deposits and commercial papers.

Table N2-1 presents the reconciliation of the District's cash, cash equivalents and investment balances as of September 30, 2018.

Table N2-1
Reconciliation of Cash, Cash Equivalents and Investment Balances (\$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	\$ 1,615,265	\$ 136,426	\$ 1,751,691	\$ -	\$ -	\$ -	\$ -	\$ 1,751,691
Investments	-	274,816	274,816	-	-	-	-	274,816
Cash and cash equivalents (restricted)	2,022,148	228,433	2,250,581	124,252	4,903	99,258	228,413	2,478,994
Investments (restricted)	123,042	484,212	607,254	9,544,982	613,374	-	10,158,356	10,765,610
Total	\$ 3,760,455	\$ 1,123,887	\$ 4,884,342	\$ 9,669,234	\$ 618,277	\$ 99,258	\$ 10,386,769	\$ 15,271,111

NOTE 2. CASH AND INVESTMENTS

Table N2-2 presents the District's cash, cash equivalents and investment balances (by category) as of September 30, 2018.

Table N2-2
Cash, Cash Equivalents and Investment Balances by Category (\$000s)

	Primary Government	Fiduciary Funds	Component Units	Total Reporting Entity Cash and Investments
Cash and cash equivalents balances	\$ 3,637,413	\$ 228,413	\$ 364,859	\$ 4,230,685
Investments:				
U.S. government securities	1,547	-	229,420	230,967
Commercial paper	41,019	-	14,777	55,796
Certificates of deposit	60,000	-	77,782	137,782
Mortgage-backed securities	5,294	-	-	5,294
Guaranteed investment contracts	2,147	140,693	-	142,840
Repurchase agreements	11,155	-	-	11,155
Exchange traded funds	1,523	-	2,168	3,691
Alternative investments	-	-	3,582	3,582
Commodities	-	45,468	-	45,468
U.S. equity securities	164	5,592,356	48,826	5,641,346
Fixed income securities	-	3,144,005	25,810	3,169,815
Real estate	-	693,111	-	693,111
Private equity	-	542,723	-	542,723
Corporate securities	-	-	15,365	15,365
Investment contracts	-	-	10,385	10,385
Money market funds	193	-	329,768	329,961
Mutual funds	-	-	1,145	1,145
Total investments	<u>123,042</u>	<u>10,158,356</u>	<u>759,028</u>	<u>11,040,426</u>
Total cash, cash equivalents and investment balances	<u>\$ 3,760,455</u>	<u>\$ 10,386,769</u>	<u>\$ 1,123,887</u>	<u>\$ 15,271,111</u>

District Retirement Funds

The District of Columbia Retirement Board (DCRB) is authorized to manage and control the investment of the District Retirement Funds, which consist of the District of Columbia Teachers' Retirement Fund (TRF) and the District of Columbia Police Officers' and Firefighters' Retirement Fund (POFRF). 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, 2018 and 2017, are presented in **Table N2-3**.

Table N2-3
Cash, Cash Equivalents and Investment Pools: District Retirement Funds (\$000s)

	September 30, 2018	September 30, 2017
Cash and cash equivalents	\$ 59,334	\$ 88,216
Investments:		
Domestic equity	2,209,272	2,099,359
International equity	2,149,344	2,364,937
Fixed income	2,549,785	2,125,703
Real estate	693,111	614,886
Private equity	542,723	470,532
Total cash, cash equivalents and investments	<u>\$ 8,203,569</u>	<u>\$ 7,763,633</u>

District of Columbia Other Postemployment Benefits (OPEB) Fund

During fiscal year 2018, the District's Other Postemployment Benefits (OPEB) Fund maintained certain cash, cash equivalents and investment

balances. **Table N2-4** presents the OPEB Fund's cash, cash equivalents and investment balances as of September 30, 2018 and 2017.

NOTE 2. CASH AND INVESTMENTS

Table N2-4

Cash, Cash Equivalents and Investment Balances: OPEB Fund (\$000s)

	September 30, 2018	September 30, 2017
Cash and cash equivalents	\$ 64,918	\$ 82,058
Investments:		
Equities	917,390	824,477
Debt securities	437,889	431,993
Commodities	45,468	42,621
Total cash, cash equivalents and investments	\$ 1,465,665	\$ 1,381,149

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 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 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 OPEB investment policy requires that the fixed income portion of the Fund's assets are invested in marketable fixed income securities of BBB- or higher by Standard & Poor's, Baa3 or higher by Moody's, or BBB- or higher by Fitch or a nationally recognized bond rating service as determined at the time of purchase, counting cash and cash equivalents toward such percentage. The average quality of all the Bond holdings in each Investment Manager's portfolio is maintained at A or better.

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 2018 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 a given 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 2018. Investments controlled by DCRB in fiscal year 2018 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 a given day were placed in overnight investments in the name of DCRB.

OPEB Fund

The OPEB Fund's investments are generally uninsured, unregistered, and are held by the custodian in the Fund's name.

NOTE 2. CASH AND INVESTMENTS

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)

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, 2018, 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, 2018, DCRB was in compliance with this policy.

OPEB Fund

The OPEB Fund has no significant concentrations of exposure to credit risk. The investment policy provides guidelines to the investment managers regarding maximum issuer holdings and overall portfolio diversification.

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 N2-5**.

Table N2-5
District's 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 by diversifying investment manager selection. Those managers are tasked with managing risks within the scope of their mandate. 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.

NOTE 2. CASH AND INVESTMENTS

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, 2018, the District had no exposure to foreign currency risk.

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 forward 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 2018, the District Retirement Funds held investments that were denominated in a currency other than the United States dollar, as presented in **Table N2-6**.

Table N2-6
District Retirement Funds' Investments Denominated in Foreign Currency (\$000s)

Foreign currency	Cash	Private Equity	Total
Canadian dollar	\$ -	\$ 6,036	\$ 6,036
British sterling	-	8,371	8,371
Swiss franc	-	109	109
Euro	199	58,084	58,283
Total foreign currency	\$ 199	\$ 72,600	\$ 72,799

OPEB Fund

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

Table N2-7 presents the OPEB Fund's investments

that were denominated in a currency other than the United States dollar.

Table N2-7
OPEB Fund Investments Denominated in Foreign Currency (\$000s)

International securities	Short Term and Cash	Convertible and Fixed Income	Total
Argentine peso	\$ 21	\$ 495	\$ 516
Australian dollar	(14)	1,847	1,833
Brazilian real	(72)	1,573	1,501
British pound sterling	46	4,224	4,270
Canadian dollar	83	12,050	12,133
Colombian peso	(19)	-	(19)
Euro	430	60,756	61,186
Indian rupee	4	-	4
Japanese yen	430	31,736	32,166
Malaysian ringgit	1,174	1,515	2,689
Mexican peso	(56)	1,886	1,830
New Israeli shekel	13	-	13
New Taiwan dollar	(17)	-	(17)
New Zealand dollar	85	353	438
Norwegian krone	19	(1)	18
Singapore dollar	9	1,125	1,134
South Korean won	(8)	-	(8)
Swedish krona	23	-	23
Uruguayan peso	2	-	2
Total foreign currency	\$ 2,153	\$ 117,559	\$ 119,712

NOTE 2. CASH AND INVESTMENTS

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. GAAP established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

- Level 1 - Observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or

liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

- Level 3 - Unobservable inputs (including the District's own assumptions in determining the fair value of investments).

An asset or a liability categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

District of Columbia Investments (Excluding Fiduciary Funds)

The District's investments measured at fair value as of September 30, 2018, are presented in **Table N2-8** in accordance with the GASB Statement No. 72 valuation hierarchy.

Table N2-8
District's Investments Measured at Fair Value Excluding Fiduciary Funds (\$000s)

	September 30, 2018	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)
Investments by fair value level				
Exchange traded funds:				
U.S. government bond fund	\$ 389	\$ 389	\$ -	\$ -
International equity funds	327	327	-	-
U.S. equity funds	365	365	-	-
Corporate bond funds	330	330	-	-
High yield bond funds	45	45	-	-
Commodity funds	67	67	-	-
Total exchange traded funds	1,523	1,523	-	-
Non-exchange traded funds:				
U.S. equity securities	164	164	-	-
Mortgage-backed securities	5,294	-	5,294	-
Repurchase agreements	11,155	-	11,155	-
Guaranteed investment contracts	2,147	-	-	2,147
Total non-exchange traded funds	18,760	164	16,449	2,147
Total	\$ 20,283	\$ 1,687	\$ 16,449	\$ 2,147

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 N2-8**. 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. These funds are classified as Level 1 in the fair value hierarchy.

U.S. equity securities

U.S. equity securities are valued using prices quoted in active markets. These securities are classified as Level 1 in the fair value hierarchy as presented in **Table N2-8**.

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 N2-8**.

NOTE 2. CASH AND INVESTMENTS

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 N2-8**.

Guaranteed investment contracts

Guaranteed investment contracts are valued at fair value by discounting the related cash flows based on

current yields of similar instruments with 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 N2-8**.

District Retirement Funds Investments

Table N2-9 presents the District Retirement Funds' investments measured at fair value as of September 30, 2018, in accordance with the GASB Statement No. 72 valuation hierarchy.

**Table N2-9
Investments Measured at Fair Value: District Retirement Funds (\$000s)**

	September 30, 2018	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)
Investments by fair value level				
Domestic equity	\$ 312,850	\$ 297,016	\$ 15,834	\$ -
Fixed income	265,651	-	265,651	-
Private equity	49,056	49,056	-	-
Total investments by fair value level	627,557	\$ 346,072	\$ 281,485	\$ -
Investments measured at the net asset value (NAV)				
Domestic equity	1,896,422			
International equity	2,149,344			
Fixed income	2,284,134			
Real assets	693,111			
Private equity	493,667			
Total investments measured at the net asset value (NAV)	7,516,678			
Total investments measured at fair value	\$ 8,144,235			

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. Some of the equity securities that are valued at prices provided by independent pricing vendors are classified in Level 2 of the fair value hierarchy.

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 N2-10**.

NOTE 2. CASH AND INVESTMENTS

Table N2-10
Investments Measured at the Net Asset Value (NAV): District Retirement Funds (\$000s)

	September 30, 2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
Domestic equity	\$ 1,896,422	\$ -	Daily	None
International equity	2,149,344	-	3 times per month, Monthly	2-5 days
Fixed income	2,284,134	-	Daily, Monthly	3-30 days
Real assets	693,111	389,696	None	N/A
Private equity	493,667	508,997	None	N/A
Total investments measured at the NAV	\$ 7,516,678	\$ 898,693		

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. The unfunded commitments totaled \$898,693, as of September 30, 2018, as presented

in **Table N2-10**. This represents global investments in 38 real asset (real estate) and 32 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 N2-11 presents the OPEB Fund's investments measured at fair value as of September 30, 2018, in accordance with the GASB Statement No. 72 valuation hierarchy.

NOTE 2. CASH AND INVESTMENTS

Table N2-11
Investments and Derivative Instruments Measured at Fair Value: OPEB Fund (\$000s)

	September 30, 2018	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)
Investments by fair value level				
Equity securities				
U.S. equities (by Industry)				
Industrials	\$ 113,475	\$ 113,475	\$ -	\$ -
Consumer retail	111,291	111,291	-	-
Information technology	104,768	104,768	-	-
Financial institutions	96,348	96,348	-	-
Healthcare	92,275	92,275	-	-
International equities (by Industry)				
Consumer retail	24,030	24,030	-	-
Financial institutions	1,972	1,972	-	-
Industrials	6,938	6,938	-	-
Real estate investment trust securities	12,414	12,414	-	-
Healthcare	3,971	3,971	-	-
Total equity securities	<u>567,482</u>	<u>567,482</u>	<u>-</u>	<u>-</u>
Debt securities				
U.S. government issues	85,304	-	85,304	-
Corporate bonds	57,459	-	57,459	-
Mortgage-backed securities	248	-	248	-
Credit card/automotive receivables	13,296	-	13,296	-
U.S. state and local government bonds	4,615	-	4,615	-
Mutual funds	30,775	30,775	-	-
Other international government bonds	3,024	-	3,024	-
International government issues	95,733	-	95,537	196
International corporate bonds	35,001	-	35,001	-
Total debt securities	<u>325,455</u>	<u>30,775</u>	<u>294,484</u>	<u>196</u>
Commodity investments				
Gresham commodities fund	45,468	-	-	45,468
Total commodity investments	<u>45,468</u>	<u>-</u>	<u>-</u>	<u>45,468</u>
Total investments by fair value level	<u>\$ 938,405</u>	<u>\$ 598,257</u>	<u>\$ 294,484</u>	<u>\$ 45,664</u>
Investments measured at the Net Asset Value (NAV)				
SSgA Emerging Market Index Fund	\$ 95,864			
SSgA Russell 2000 Index Fund	93,249			
SSgA U.S. Aggregate Bond Index Fund	80,185			
Baillie Gifford International Growth Equity	90,399			
Artisan International Value Equity	70,396			
BlueBay Emerging Market Bond	32,249			
Total investments measured at the NAV	<u>462,342</u>			
Total investments measured at fair value	<u>\$ 1,400,747</u>			
Investment derivative instruments				
Interest rate swaps	\$ (77)	\$ -	\$ (77)	\$ -
Credit defaults swaps	(645)	-	(645)	-
Foreign exchange forwards	(900)	-	(900)	-
Total investment derivative instruments	<u>\$ (1,622)</u>	<u>\$ -</u>	<u>\$ (1,622)</u>	<u>\$ -</u>

NOTE 2. CASH AND INVESTMENTS

Investments Measured at Fair Value

The following provides a summary of OPEB Fund's investments measured at fair value as presented in **Table N2-11**.

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

These investments are classified as Level 1 of the fair value hierarchy because they are actively traded securities. These investments were classified as Level 3 in the prior year.

Debt securities

These investments are classified as Level 2 of the fair value hierarchy and 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 2; and are valued using consensus pricing. The mutual funds held in bonds are classified as Level 1.

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 instruments 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 six funds that include funds or products that employ dynamic trading strategies aimed at achieving absolute returns. Certain 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 N2-12**.

Table N2-12**Investments Measured at the Net Asset Value (NAV): OPEB Fund (\$000s)**

	September 30, 2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
SSgA Emerging Market Index Fund	\$ 95,864	\$ -	Monthly	5 days
SSgA Russell 2000 Index Fund	93,249	-	Daily	N/A
SSgA U.S. Aggregate Bond Index Fund	80,185	-	Daily	N/A
Baillie Gifford International Growth Equity	90,399	-	Monthly	5 days
Artisan International Value Equity	70,396	-	Monthly	5 days
BlueBay Emerging Market Bond	32,249	-	Monthly	30 days
Total investments measured at the NAV	\$ 462,342	\$ -		

NOTE 2. CASH AND INVESTMENTS

SSgA Emerging Market Index Fund

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.

SSgA Russell 2000 Index Fund

The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may purchase securities in their initial public offerings (“IPOs”). 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 in question.

SSgA U.S. Aggregate Bond Index Fund

The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index (the “Index”) over the long term. The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The fund may attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. However, due to the large number of

securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the fund to purchase some of the securities comprising the Index.

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.

Artisan International Value Equity

This fund seeks to invest in undervalued companies that are generating high returns on capital, are financially strong and are managed by people who are working to build value over time. 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.

BlueBay Emerging Market Bond

This fund invests predominantly in fixed income securities issued by emerging market countries or issuers based in such countries. The fund seeks to generate excess returns via superior country and issue selection through an in-depth country and security selections process focusing on value in external credit spreads, local currencies and local interest rates. Particular emphasis is given to avoiding deteriorating credits and one-off currency devaluations. The fund has a focus on absolute returns, both their long-only and alternative strategies use short exposures (either directly or via credit derivatives) as one of a number of techniques designed to deliver absolute-style returns. There is a strong emphasis on capital preservation and the use of credit derivatives helps to maximize portfolio efficiency and potentially minimize risk.

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. Some 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 N2-13 presents the fair value balances and notional amounts of the District's derivative instruments outstanding as of September 30, 2018, classified by type, and the changes in fair value of such derivative instruments for the year then ended.

Table N2-13
District's Derivative Instruments Outstanding as of September 30, 2018 (\$000s)

	Changes in Fair Value		Fair Value at September 30, 2018		Notional
	Classification	Amount	Classification	Amount	
Governmental Activities:					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2016C (formerly Series 2002-2008C, then 2014B) Swap*	Deferred outflows	\$ 12,576	Swap	\$ (19,328)	\$ 224,300
2007 AWC Swap	Deferred outflows	1,639	Swap	(1,523)	37,905
2004B Swap	Deferred outflows	204	Swap	(180)	9,460
Derivative instrument liabilities, at end of year				\$ (21,031)	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment revenue	\$ 196	Swap	\$ 359	\$ 130,960
Derivative instrument assets, at end of year				\$ 359	

Note:

* 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 GAAP, which requires all derivatives 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. The District retained 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.

Objectives and Terms of Hedging Derivative Instruments

Table N2-14 presents the objectives and terms of the District's hedging derivative instruments outstanding as of September 30, 2018, along with the credit rating of the associated counterparty.

NOTE 2. CASH AND INVESTMENTS

Table N2-14
Objectives and Terms of the District's Hedging Derivative Instruments Outstanding as of September 30, 2018 (\$000s)

Type	Objectives	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-Fixed Interest Rate Swaps:						
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 3.62%; 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	37,905	9/20/2007	12/1/2021	Pay fixed rate of 4.46%; receive the rate that matches the rate paid on the underlying bonds (SIFMA) plus 0.70%	Aa2/A+/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 5.12%; receive the rate that matches the rate on the underlying bonds (Muni CPI Index)	A3/A-/AA-
Pay Floating Basis Swaps:						
2001C/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	130,960	6/2/2003	6/1/2029	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month ranging from 60% to 90% of LIBOR	Aa3/A+/AA

Note:

* 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, 2018, were as presented in **Table N2-14**.

As of September 30, 2018, the District was not exposed to credit risk because each of the hedging derivative instruments had a negative mark-to-market value, all totaling \$21,125. 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, 2018, the fair value of the investment in derivative instruments subject to interest rate risk was \$359.

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, 2018, the notional amount of the 2001C/D Swap was \$130,960. 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

NOTE 2. CASH AND INVESTMENTS

entered into an enhanced swap agreement on June 2, 2003. The 2001C/D swap matures in June 2029. As of September 30, 2018, this interest rate swap had a fair value of \$359.

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, 2018, 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 the derivative instruments that are hedged of a debt mature prior to the maturity date 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 instruments. 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 2018.

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, 2018.

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:

District of Columbia Retirement Board

900 7th Street, N.W.
Washington, DC 20001
Website: <https://dcrb.dc.gov>

Other Postemployment Benefits Fund's Derivatives

In accordance with OPEB Fund's investment policies, the OPEB Fund 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 2018, OPEB Fund invested directly in forward currency contracts.

As of September 30, 2018, 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. 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 "Aaa" rating; therefore, no collateral has been required to be posted as of September 30, 2018. The net unrealized loss on foreign currency spot and forward contracts for the years ended September 30, 2018, was \$902. **Table N2-15** presents a list of the OPEB Fund's derivatives aggregated by type as of September 30, 2018.

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:

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

Table N2-15
Derivative Investments Aggregated by Type: OPEB (\$000s)

Type of Derivative	Changes in Fair Value		Fair Value at September 30, 2018		Notional
	Classification	Amount	Classification	Amount	
Credit default swaps bought	Investment revenue	\$ (30)	Swaps	\$ 121	\$ 3,490
Credit default swaps written	Investment revenue	102	Swaps	(766)	28,480
Fixed income futures long	Investment revenue	(615)	Futures	-	112,789
Fixed income futures short	Investment revenue	360	Futures	-	(38,041)
Fixed income futures bought	Investment revenue	(9)	Options	-	-
Foreign exchange forwards	Investment revenue	(897)	Forwards	(900)	102,341
Pay fixed interest rate swaps	Investment revenue	470	Swaps	65	28,480
Receive fixed interest rate swaps	Investment revenue	(129)	Swaps	(142)	143,650
Total		\$ (748)		\$ (1,622)	

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 2018, the District Retirement Funds did not participate in any security lending transactions.

NOTE 3. RESTRICTED ASSETS

As of September 30, 2018, restricted assets of the primary government, component units, and fiduciary funds totaled \$13,244,604 as summarized in **Table N3-1**.

Table N3-1
Summary of Restricted Assets (\$000s)

	Governmental Funds/Governmental Activities					Total
	General	Federal & Private Resources	Housing Production Trust Fund	General Capital Improvements	Nonmajor Funds	
Bond escrow accounts	\$ 520,693	\$ -	\$ -	\$ -	\$ -	\$ 520,693
Capital projects	-	-	-	50,147	58,134	108,281
Emergency cash reserves	139,835	-	-	-	-	139,835
Contingency cash reserves	279,669	-	-	-	-	279,669
Other	79,583	124,474	162,122	-	247,246	613,425
Total	\$ 1,019,780	\$ 124,474	\$ 162,122	\$ 50,147	\$ 305,380	\$ 1,661,903
	Proprietary Funds/Business-Type Activities			Fiduciary Funds	Component Units	
	Lottery & Games	Unemployment Compensation	Total			
Bond escrow accounts	\$ -	\$ -	\$ -	\$ -	\$ 230,157	
Unpaid prizes	1,547	-	1,547	-	-	
University endowment	-	-	-	-	29,251	
Benefits	-	481,740	481,740	10,386,769	-	
Purpose restrictions	-	-	-	-	453,237	
Total	\$ 1,547	\$ 481,740	\$ 483,287	\$ 10,386,769	\$ 712,645	

Note:

The Not-for-Profit Hospital is a proprietary fund and in the fiscal year 2018 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 N4-1**.

Table N4-1
Receivables (\$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	\$ 459,640	\$ -	\$ -	\$ -	3,122	\$ -	\$ -	\$ -	-
Accounts and other	383,514	9,324	328	1,258	36,826	3,905	35,752	34,933	16,666
Federal	350	362,297	-	68,581	-	-	786	-	1,622
Total gross receivables	843,504	371,621	328	69,839	39,948	3,905	36,538	34,933	18,288
Less: allowance for doubtful accounts	132,259	-	-	-	-	25	23,911	12,026	-
Total net receivables	\$ 711,245	\$ 371,621	\$ 328	\$ 69,839	\$ 39,948	\$ 3,880	\$ 12,627	\$ 22,907	\$ 18,288

B. INTERFUND TRANSFERS

Other than the transfers between the proprietary funds (the Lottery and Charitable Games and the Not-for-Profit Hospital Corporation) 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 N4-2** shows a summary of interfund transfers for the fiscal year ended September 30, 2018.

Table N4-2
Summary of Interfund Transfers (\$000s)

Transfer From (Out)	Transfer To (In)	Purpose	Amount
General Fund	Highway Trust Fund	Motor fuel taxes dedicated to the Highway Trust Fund	\$ 26,268
Lottery and Games	General Fund	DC Lottery excess revenues, after operating costs	49,500
General Fund	Capital Improvements Fund	PAYGO - Projects financed by the General Fund	77,701
General Fund	Capital Improvements Fund	PAYGO - Capital Projects financed by Local Transportation Fund	45,327
Capital Improvements Fund	General Fund	Unspent Capital PAYGO transferred back to the General Fund	53,057
PILOT Special Revenue Fund	General Fund	Excess collections above PILOT debt service requirements	2,000
Tax Increment Financing Fund	General Fund	Excess collections above TIF debt service requirements	9,563
Federal and Private Resources Fund	General Fund	Revenues generated from indirect cost recovery	500
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	66,319
General Fund	Housing Production Trust Fund	Funds for housing projects and services	12,516
General Fund	Not-For-Profit Hospital	Operating Subsidies	28,593
Capital Improvements Fund	Not-For-Profit Hospital	Capital Subsidies	8,827
		Total interfund transfers	\$ 380,171

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, 2018, are shown in **Table N4-3**. All interfund balances within the governmental funds are eliminated in the government-wide financial statements.

Table N4-3
Summary of Due To / Due From and Interfund Balances (\$000s)

Fund or Component Unit	Primary government / Component units		Interfund	
	Receivables	Payables	Receivables	Payables
Major funds				
General	\$ 2,222	\$ 15,339	\$ 634,245	\$ 18,828
Federal & private resources	-	609	24,166	193,362
Housing production trust	-	-	4,947	-
General capital improvements	-	3,086	-	426,695
Nonmajor funds				
Tax increment financing	1,000	1,054	3,409	5,083
PILOT special revenue	-	-	1,601	2,000
Baseball special revenue	665	-	1,730	-
Proprietary funds				
Unemployment compensation	-	-	420	24,543
Not-for-profit hospital corporation	-	-	-	7
Component unit				
Health benefit exchange authority	-	1,499	-	-
Washington convention and sports authority	13,344	2,329	-	-
Housing finance agency	1,546	-	-	-
University of the District of Columbia	5,198	59	-	-
Total	\$ 23,975	\$ 23,975	\$ 670,518	\$ 670,518

Note:

The above balances represent the impact of transactions among the funds and component units, which will be settled during fiscal year 2019.

NOTE 5. CAPITAL ASSETS

CAPITAL OUTLAYS

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled \$1,445,192 during the fiscal year ended September 30, 2018. 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 N5-1 presents the changes in the governmental activities capital assets by class for the primary government.

Table N5-1
Changes in Capital Assets by Asset Class: Governmental Activities (\$000s)

Asset Class	Balance October 1, 2017	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2018
Non-depreciable:						
Land	\$ 964,016	\$ -	\$ -	\$ (341)	\$ 15	\$ 963,690
Construction in progress	1,273,123	1,180,764	-	-	(1,059,397)	1,394,490
Total non-depreciable	2,237,139	1,180,764	-	(341)	(1,059,382)	2,358,180
Depreciable:						
Infrastructure	6,474,174	-	-	-	233,004	6,707,178
Buildings	8,810,207	-	-	(118)	771,665	9,581,754
Equipment	1,810,615	17,011	-	(33,873)	54,713	1,848,466
Total depreciable	17,094,996	17,011	-	(33,991)	1,059,382	18,137,398
Less accumulated depreciation for:						
Infrastructure	(2,820,786)	(171,984)	-	-	-	(2,992,770)
Buildings	(2,121,811)	(179,907)	-	19	-	(2,301,699)
Equipment	(1,369,169)	(101,784)	-	32,504	-	(1,438,449)
Total accumulated depreciation	(6,311,766)	(453,675)	-	32,523	-	(6,732,918)
Total depreciable, net	10,783,230	(436,664)	-	(1,468)	1,059,382	11,404,480
Net governmental activities capital assets	\$ 13,020,369	\$ 744,100	\$ -	\$ (1,809)	\$ -	\$ 13,762,660

B. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY FUNCTION

Table N5-2 presents the changes in the governmental activities capital assets by function for the primary government.

Table N5-2
Changes in Capital Assets by Function: Governmental Activities (\$000s)

Function	Balance October 1, 2017	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2018
Governmental direction and support	\$ 2,590,684	\$ 235	\$ 185,901	\$ (2,048)	\$ 136,397	\$ 2,911,169
Economic development and regulation	606,735	2,317	-	(1,082)	27,771	635,741
Public safety and justice	1,204,734	10,362	-	(8,796)	46,221	1,252,521
Public education system	4,656,632	3,542	-	(9,263)	554,407	5,205,318
Human support services	1,686,581	217	(185,901)	(1,486)	49,128	1,548,539
Public works	7,313,646	338	-	(11,657)	245,473	7,547,800
Construction in progress	1,273,123	1,180,764	-	-	(1,059,397)	1,394,490
Total	\$ 19,332,135	\$ 1,197,775	\$ -	\$ (34,332)	\$ -	\$ 20,495,578

NOTE 5. CAPITAL ASSETS

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 N5-3**.

Table N5-3
Changes in Accumulated Depreciation by Function: Governmental Activities (\$000s)

Function	Balance October 1, 2017	Additions	Transfers	Dispositions	Balance September 30, 2018
Governmental direction and support	\$ 1,103,402	\$ 53,599	\$ 86,413	\$ (1,824)	\$ 1,241,590
Economic development and regulation	56,090	7,186	-	(597)	62,679
Public safety and justice	525,010	51,428	-	(8,184)	568,254
Public education system	975,392	106,220	-	(8,828)	1,072,784
Human support services	478,088	39,801	(86,413)	(1,478)	429,998
Public works	3,173,784	195,441	-	(11,612)	3,357,613
Total	\$ 6,311,766	\$ 453,675	\$ -	\$ (32,523)	\$ 6,732,918

D. BUSINESS-TYPE ACTIVITIES: CAPITAL ASSETS

Business-type activities capital assets are presented in **Table N5-4**.

Table N5-4
Changes in Capital Assets by Asset Class: Business-Type Activities (\$000s)

Asset Class	Balance October 1, 2017	Additions	Transfers/ Dispositions	Balance September 30, 2018
Non-depreciable:				
Land	\$ 8,100	\$ -	\$ -	\$ 8,100
Construction in progress	8,262	417	(8,262)	417
Total non-depreciable	16,362	417	(8,262)	8,517
Depreciable:				
Buildings and improvements	66,816	94	8,262	75,172
Equipment	48,967	4,078	-	53,045
Total depreciable	115,783	4,172	8,262	128,217
Less accumulated depreciation for:				
Buildings and improvements	(20,485)	(5,319)	-	(25,804)
Equipment	(31,923)	(6,538)	-	(38,461)
Total accumulated depreciation	(52,408)	(11,857)	-	(64,265)
Total depreciable, net	63,375	(7,685)	8,262	63,952
Net capital assets	\$ 79,737	\$ (7,268)	\$ -	\$ 72,469

NOTE 5. CAPITAL ASSETS

E. DISCRETELY PRESENTED COMPONENT UNITS: CAPITAL ASSETS

A summary of capital assets for the discretely presented component units is shown in **Tables N5-5** and **N5-6**.

Table N5-5
Changes in Capital Assets by Asset Class: Discretely Presented Component Units (\$000s)

Asset Class	Balance October 1, 2017	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2018
Non-depreciable:					
Land	\$ 12,814	\$ -	\$ -	\$ -	\$ 12,814
Artwork	3,183	-	-	-	3,183
Construction in progress	21,035	66,730	-	(9,657)	78,108
Total non-depreciable	37,032	66,730	-	(9,657)	94,105
Depreciable:					
Buildings and improvements	1,261,603	8,485	-	9,657	1,279,745
Equipment	175,252	16,535	-	-	191,787
Total depreciable	1,436,855	25,020	-	9,657	1,471,532
Less accumulated depreciation for:					
Buildings and improvements	(587,049)	(41,858)	-	-	(628,907)
Equipment	(68,272)	(17,152)	-	-	(85,424)
Total accumulated depreciation	(655,321)	(59,010)	-	-	(714,331)
Total depreciable, net	781,534	(33,990)	-	9,657	757,201
Net capital assets	\$ 818,566	\$ 32,740	\$ -	\$ -	\$ 851,306

NOTE 5. CAPITAL ASSETS

Table N5-6
Changes in Capital Assets and Accumulated Depreciation: Discretely Presented Component Units (\$000s)

Component Units	Capital Assets				Accumulated Depreciation				Net Capital Assets			
	October 1, 2017	Additions	Transfers/ Dispositions	September 30, 2018	October 1, 2017	Additions	Transfers/ Dispositions	September 30, 2018	Balance October 1, 2017	Additions	Transfers/ Dispositions	Balance September 30, 2018
University of the District of Columbia	\$ 347,379	\$ 12,284	\$ -	\$ 359,663	\$ (136,215)	\$ (12,695)	\$ -	\$ (148,910)	\$ 211,164	\$ (411)	\$ -	\$ 210,753
Washington Convention and Sports Authority	1,007,478	69,135	-	1,076,613	(488,117)	(33,996)	-	(522,113)	519,361	35,139	-	554,500
Health Benefit Exchange Authority	112,040	9,808	-	121,848	(26,420)	(11,928)	-	(38,348)	85,620	(2,120)	-	83,500
Housing Finance Agency	6,990	523	-	7,513	(4,569)	(391)	-	(4,960)	2,421	132	-	2,553
Total	\$ 1,473,887	\$ 91,750	\$ -	\$ 1,565,637	\$ (655,321)	\$ (59,010)	\$ -	\$ (714,331)	\$ 818,566	\$ 32,740	\$ -	\$ 851,306

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table N5-7**.

Table N5-7
Changes in Construction in Progress by Function (\$000s)

Function and Sub-function	Balance October 1, 2017	Additions/ Adjustments	CIP Transfers / Dispositions	Balance September 30, 2018
Primary government				
Governmental direction and support				
Finance	\$ 39,362	\$ 11,068	\$ -	\$ 50,430
Legislative	2,976	866	(231)	3,611
Administrative	145,170	52,475	(137,314)	60,331
Executive	1,106	67	(176)	997
Total	<u>188,614</u>	<u>64,476</u>	<u>(137,721)</u>	<u>115,369</u>
Economic development and regulation				
Community development	70,595	71,915	(27,771)	114,739
Economic regulation	-	1,304	-	1,304
Employment services	1,559	(1,559)	-	-
Total	<u>72,154</u>	<u>71,660</u>	<u>(27,771)</u>	<u>116,043</u>
Public safety and justice				
Police	5,833	9,489	(7,593)	7,729
Fire	11,147	22,321	(29,559)	3,909
Corrections	6,800	1,506	(7,542)	764
Protection	229	509	(738)	-
Total	<u>24,009</u>	<u>33,825</u>	<u>(45,432)</u>	<u>12,402</u>
Public education system				
Schools	311,806	358,593	(523,229)	147,170
Culture	50,356	65,687	(31,179)	84,864
Total	<u>362,162</u>	<u>424,280</u>	<u>(554,408)</u>	<u>232,034</u>
Human support services				
Health and welfare	38,787	83,296	(18,941)	103,142
Recreation	39,234	32,057	(29,651)	41,640
Human relations	-	72	-	72
Total	<u>78,021</u>	<u>115,425</u>	<u>(48,592)</u>	<u>144,854</u>
Public works				
Environmental	548,163	471,098	(245,473)	773,788
Total	<u>548,163</u>	<u>471,098</u>	<u>(245,473)</u>	<u>773,788</u>
Total Construction in Progress	<u>\$ 1,273,123</u>	<u>\$ 1,180,764</u>	<u>\$ (1,059,397)</u>	<u>\$ 1,394,490</u>

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 debts 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, 2018, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$5 billion. Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2018.

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, 2018, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$12.7 million. Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2018.

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 main 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 in the accompanying government-wide statement of net position as of September 30, 2018.

Downtown Retail Priority Area (Forever 21)

Since March 2006, the Mayor has executed several TIF Notes under the Downtown Retail Priority Area Program; most of which were fully repaid over the years. The Forever 21 TIF Note remained outstanding as of September 30, 2018.

Table N6-1 presents the original loan amount of the Downtown Retail Priority Area TIF Note which remained outstanding as of September 30, 2018.

Table N6-1
Downtown Retail Priority Area TIF Note (\$000s)

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

Capital One Arena

In December 2007, the District issued \$50,000 in taxable financing notes to finance upgrades at the Capital One Arena (also known as Verizon Center). The Series 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 Series 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 Capital One Arena. 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 Initiative TIF Note, Series 2009, 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.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

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 Southeast Federal Center Approval Resolution of 2006, 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, 2018.

Table N6-2 presents a summary of the original amounts of the PILOT Revenue Notes.

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.

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.

**Table N6-2
PILOT Revenue Notes (\$000s)**

<u>Issuance Date</u>	<u>Description</u>	<u>Amount</u>	<u>Terms / Other Comments</u>
August 2010	Foundry Lofts Project, Series 2010	\$ 5,660	Matures on January 1, 2038; interest rate: 5.16%
August 2011	Rhode Island Metro Plaza Project, Series 2010	7,200	Matures on September 30, 2032; interest rate: 5.78%

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:

- Lease 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 lease payment schedule established for each year of the lease. As of September 30, 2018, the monthly installments were \$280,939 (not in thousands). The installment will increase to \$291,990 (not in thousands) in June 2019.
- Lease 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 lease payment schedule established for each year of the lease. As of September 30, 2018, the monthly installment was \$209,439 (not in thousands). This installment increased to \$215,723 (not in thousands) on October 1, 2018.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

F. NONEXCHANGE FINANCIAL GUARANTEES**Credit Enhancement Facility Agreements**

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, 2018, the total outstanding guaranteed amount under credit enhancement facility agreements was \$7,080.

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 2018, the District did not make any payments related to the credit enhancement facility agreements. In addition, based on an assessment of relevant qualitative factors, there is no indication that it is "more likely than not" that the District will be required to make payments in connection with these outstanding guarantees; therefore, as of September 30, 2018, no liability has been recorded in connection with these agreements.

Table N6-3 presents additional information regarding these guarantees.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N6-3
Summary of OSSE Credit Enhancement Facility Agreements (\$000s)

School	Type of Obligation Guaranteed	Beneficiary	Guarantee Amount	Effective Date	Termination Terms/Date	Outstanding Amount at September 30, 2018
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
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
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
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	Eagle Bank	1,000	6/21/2017	Five years from the date of the credit enhancement closing	1,000
Washington Global Public Charter School	Guarantee to facilitate funding for the costs of renovation and construction of the property located at 525 School Street, SW, Washington, DC	United Bank	900	10/20/2017	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	900
District of Columbia International School	Guarantee to finance renovation and construction costs of the property located at 6900 Georgia Avenue, NW, Washington, DC	City First Enterprises, Inc.	830	12/15/2017	Earlier of: (1) the payment in full of all amounts owed to the lender under the loan agreement, or (2) on the fifth anniversary of the date of execution of the guarantee	830
Statesmen College Preparatory Academy	Guarantee to finance the use of a portion of the premises located at 4250 Massachusetts Avenue, SE, Washington, DC	Rocketship Education DC, Public Charter School, Inc.	350	8/20/2018	Earlier of: (1) the payment in full of all amounts owed to the lender under the credit enhancement agreement, or (2) on the first anniversary of the date of execution of the guarantee	350
Montessori Public Charter School	Guarantee to finance leasehold improvements and renovation costs of the property located at 6856 Eastern Avenue, NW, Washington, DC	City First Bank of DC, N.A.	1,000	9/12/2018	Earlier of: (1) the payment in full of all amounts owed to the lender under the credit enhancement agreement, or (2) on the fifth anniversary of the date of execution of the guarantee	1,000
Total Outstanding Guaranteed Amount						\$ 7,080

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 N6-4 presents the projects, the TIF arrangements, and the estimate of future outflows as of September 30, 2018, under each TIF.

Table N6-4
Projects with Financial Guarantee Funded by Incremental Tax Revenues from Downtown TIF Area
(\$000s)

Project	Type of Financing	Date Issued	Maturity Date	Amount	Estimate of Future Outflows at September 30, 2018*
Capital One Arena	TIF Notes	December 2007	8/15/2047	\$ 50,000	\$ 3,481
Howard Theatre	TIF Notes	May 2011	5/26/2021	4,000	350
				Total	\$ 3,831

Note:

* 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 and 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 2018, the District did not make any payments related to the District of Columbia Collateral Support Program. In addition, based on an assessment of relevant qualitative factors, there is no indication that it is "more likely than not" that the District will be required to make payments in connection with these outstanding guarantees; therefore, as of September 30, 2018, no liability has been recorded in connection with these cash collateral deposit agreements. As of September 30, 2018, the total outstanding guaranteed amount under the cash collateral agreements by DCCSP was \$4,289.

Table N6-5 presents additional information regarding these guarantees.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N6-5
District of Columbia Collateral Support Program Financial Guarantees (\$000s)

<u>Borrower</u>	<u>Type of Financing</u>	<u>Guarantee Amount</u>	<u>Effective Date</u>	<u>Lender</u>	<u>Termination/ Maturity Date</u>	<u>Outstanding Amount at September 30, 2018</u>
Broughton Construction Company, LLC	Line of Credit	\$ 750	4/1/2013	Industrial Bank	3/1/2019	\$ 630
Forney Enterprises, Inc.	Line of Credit	500	4/15/2013	Industrial Bank	3/1/2019	474
Absolute Builders	Term Loan	72	7/1/2014	United Bank	7/1/2019	47
Baked by Yael, LLC	Term Loan	188	9/15/2014	Revere Bank	6/15/2025	165
Big City Foods III, LLC	Term Loan	120	9/24/2014	Industrial Bank	9/3/2019	33
Joon Hokim, Inc.	Term Loan	139	9/29/2014	Premara Bank	10/5/2019	134
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	4/15/2020	82
Elite Physical Therapy & Wellness Center, Inc.	Term Loan and Line of Credit	61	4/27/2015	Industrial Bank	4/27/2019	27
Baked by Yael, LLC	Term Loan	25	6/8/2015	Revere Bank	6/8/2025	25
First Choice Masonry, Inc.	Line of Credit	982	8/13/2015	United Bank	3/1/2019	982
Union Kitchen, LLC	Line of Credit	75	10/23/2015	Revere Bank	3/1/2019	75
Hot Yoga Ivy City, LLC	Term Loan	66	11/9/2015	Washington Area Community Investment, Inc.	11/9/2020	42
Solar Solution, LLC	Line of Credit	1,250	6/10/2016	First National Bank	3/1/2019	832
SwatchRoom, LLC	Line of Credit	150	6/20/2016	Colombo Bank	3/1/2019	150
Union Kitchen, LLC	Line of Credit	275	6/22/2016	Revere Bank	3/1/2019	275
David's Stars Child Development Center, Inc.	Term Loan	25	9/6/2016	Latino Economic Development Corporation	11/15/2021	25
Ice Cream Jubilee, LLC	Term Loan	75	9/6/2016	Revere Bank	9/30/2022	75
VOW Transportation, LLC	Term Loan	21	2/28/2017	City First Bank of DC	9/1/2020	16
Lydia's House in South East	Line of Credit	75	4/3/2017	Industrial Bank	3/1/2019	75
Total Outstanding Guaranteed Amount						\$ 4,289

NOTE 7. LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES

Table N7-1 presents long-term liabilities for the District's governmental activities and the business-type activities for the year ended September 30, 2018.

Table N7-1
Summary of Long-Term Liabilities Outstanding as of September 30, 2018 (\$000s)

GOVERNMENTAL ACTIVITIES	<u>Outstanding</u>
General obligation (GO) bonds:	
Series 1998B, issued on April 16, 1998, in the amount of \$451,635, to refund the District's General Obligation Bonds (Series 1991A, 1992B, 1994B, and 1996A) and pay the costs and expenses of delivering the Bonds; final maturity date: June 1, 2026; interest rates ranging from 4.50% to 6.00%	\$ 28,545
Series 2004B, issued on December 8, 2004, in the amount of \$38,250, to finance a portion of the District's fiscal year 2005 capital improvements plan, and pay the costs and expenses of delivering the Bonds; 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 General Obligation Bonds (Series 1994B, 1997A, 1998A, 1998B and 2001B) and to pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2027; interest rates ranging from 4.00% to 5.25%	465
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 General Obligation Bonds (Series 2001B, 2003A, 2003B, and 2005A) and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2030; interest rates ranging from 4.50% to 5.25%	73,395
Series 2010A, Build America Bonds, issued on December 22, 2010, in the amount of \$181,330, to finance capital project expenditures and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2023; interest rates ranging from 1.91% to 5.92%	74,985
Series 2013A, issued on December 18, 2013, in the amount of \$495,425, 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, 2030; interest rates ranging from 2.00% to 5.00%	399,495
Series 2014C, issued on October 23, 2014, in the amount of \$379,355, 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, 2038; interest rates ranging from 3.00% to 5.00%	379,155
Series 2014D, issued on October 23, 2014, in the amount of \$136,190, to refund the District's Multimodal General Obligation Refunding Bonds (Series 2008A and 2008D); and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2023; interest rates ranging from 1.00% to 5.00%	103,545
Series 2015A, issued on June 24, 2015, in the amount of \$500,000, 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, 2040; interest rates ranging from 4.00% to 5.00%	499,900
Series 2015B, issued on June 24, 2015, in the amount of \$34,190, to refund a portion of the District's General Obligation Refunding Bonds, Series 2005B; and pay the costs and expenses of issuing and delivering the 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%	430,815
Series 2016B, issued on November 18, 2016, in the amount of \$190,415, of which \$99,985 was to refund the District's 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)	185,600
Series 2016C, issued on November 18, 2016, in the amount of \$224,315, to refund the District's Multimodal General Obligation Refunding Bonds Series 2014B; final maturity date: June 1, 2027; variable rate bonds bearing interest at varying monthly rates (LIBOR Index rate)	224,305
Series 2016D, issued on December 20, 2016, in the amount of \$398,910, 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 3.00% to 5.00%	398,910
Series 2016E, issued on December 20, 2016, in the amount of \$190,635, to advance refund a portion of the District's General Obligation Bond Series 2007C and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2033; interest rate: 5.00%	179,870
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 General Obligation Refunding Bonds 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
Series 2017B, issued on November 21, 2017, in the amount of \$100,000, to finance capital project expenditures under the District's capital improvement plan, and pay the cost and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2042; interest rates: variable equal to an Adjusted SIFMA Rate (1.56% as of September 30, 2018)	100,000

NOTE 7. LONG-TERM LIABILITIES

Series 2017C, issued on November 21, 2017, in the amount of \$99,935, to refund the District's Income Tax Secured Revenue Refunding Bonds, Series 2011E and Series 2014B; final maturity date: June 1, 2033; interest rates: variable equal to an Adjusted SIFMA Rate (1.56% as of September 30, 2018)	82,480
Series 2017D, issued on December 21, 2017, in the amount of \$521,705, to pay or reimburse the District for capital projects' expenditures under the District's capital improvement plan; and pay the cost and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2042; interest rates ranging from 4.00% to 5.00%	521,705
Series 2018A, issued on August 1, 2018, in the amount of \$214,525, to pay or reimburse the District for capital project expenditures under the District's capital improvement plan; and pay the cost and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2043; interest rate: 5.00%	214,525
Series 2018B, issued on August 1, 2018, in the amount of \$301,160, to refund the District's General Obligation Bonds, Series 2008E and General Obligation Refunding Bonds, Series 2008F; and pay the cost and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2033; interest rates ranging from 3.00% to 5.00%	301,160
Total general obligation bonds	<u>\$ 4,827,105</u>
Qualified zone academy bonds:	
Qualified Zone Academy Bonds, issued on December 28, 2005, in the amount of \$3,191, for traditional public and public charter schools; final maturity date: December 28, 2020 (non-interest bearing)	\$ 532
Qualified Zone Academy Bonds, issued on June 30, 2010, in the amount of \$4,143, for traditional public and public charter schools; final maturity date: December 1, 2024 (non-interest bearing)	1,934
Total qualified zone academy bonds	<u>\$ 2,466</u>
Income tax secured revenue bonds:	
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%	\$ 393,700
Series 2009B, issued on March 19, 2009, in the amount of \$309,685, to refund the District's Multimodal General Obligation Bonds (Series 2000A, 2000B, 2003C and 2003D) and pay for financing costs; final maturity date: December 1, 2029; interest rates ranging from 4.00% to 5.25%	225,680
Series 2009C, issued on September 3, 2009, in the amount of \$270,455, to refund the District's General Obligation Bonds, Series 1999A and General Obligation Refunding Bonds, Series 1999B, and pay for financing costs; final maturity date: December 1, 2028; interest rates ranging from 3.00% to 5.00%	90,050
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 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 District's General Obligation Bonds (Series 1998B, 1999A, 2001B, 2001C, 2001D, 2002D, 2003A, 2003B, 2004A, 2005A, 2007C, 2008E and 2008F) and pay for the financing costs of the Bonds; final maturity date: December 1, 2031; interest rates ranging from 3.00% to 5.00%	675,640
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 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 Bonds; final maturity date: December 1, 2036; interest rates ranging from 1.00% to 5.00%	114,265
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 Bonds; final maturity date: December 1, 2036; interest rates ranging from 2.00% to 5.00%	345,345
Series 2012A-B, issued on May 16, 2012, in the amount of \$314,110, to refund a portion of the District's General Obligation Refunding Bonds, Series 2002C, and General Obligation Bonds Series 2004A and 2005A; and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: December 1, 2027; interest rates ranging from 2.00% to 5.00%	254,585
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%	684,115
Series 2014A, issued on September 10, 2014, in the amount of \$155,665, to current refund the District's Certificates of Participation, Series 2003 and to advance refund the District's Certificates of Participation, Series 2006, and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: December 1, 2025; interest rates ranging from 1.00% to 5.00%	116,025
Total income tax secured revenue bonds	<u>\$ 3,776,255</u>
Tobacco settlement asset-backed bonds:	
Series 2001, issued on February 1, 2001, in the amount of \$521,105, to refund and defease certain obligations of the District, to fund the Debt Service Reserve Account at its required amount, and to pay certain costs of issuing the Bonds; final maturity date: May 15, 2040; interest rates ranging from 5.20% to 6.75%	\$ 312,855
Series 2006, issued on August 30, 2006, in the amount of \$248,264, to pay the cash portion of the purchase price for the Residual Tobacco Assets, and pay certain costs of issuing the Bonds; final maturity date: June 15, 2055; interest rates ranging from 6.25% to 7.25%	248,264
Total tobacco settlement asset-backed bonds	<u>\$ 561,119</u>

NOTE 7. LONG-TERM LIABILITIES

Tax increment financing (TIF) bonds:

Mandarin Oriental Hotel Project, Series 2002, issued on April 1, 2002, in the amount of \$45,995, to finance certain development costs of the project, fund the Reserve Account of the Bond Service Fund, fund capitalized interest, and pay the costs of issuing the Bonds; final maturity date: July 1, 2022; interest rate yields ranging from 4.26% to 5.91%	\$ 10,226
City Market at O Street Project, Series 2011, issued on November 17, 2011, in the amount of \$38,650, to provide funds to finance or reimburse certain costs incurred for the acquisition, construction, installation and equipping of a mixed-use project within the City Market at O Street TIF Area, fund capitalized interest, pay certain administrative expenses and certain costs of issuing the Bonds; final maturity date: June 1, 2041; interest rates ranging from 3.00% to 5.13%	37,780
Gallery Place Project, Series 2012, issued on June 21, 2012, in the amount of \$52,365 to refund the Gallery Place Project Tax Increment Revenue Bonds, Series 2002, and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2031; interest rates ranging from 3.00% to 5.00%	40,500
Skyland Town Center Project, Series 2018, issued on May 31, 2018, in the amount of \$17,400, to reimburse Skyland Holdings, LLC and Skyland Associates, Inc. for eligible development costs associated with the phased development of Skyland Town Center; final maturity date: December 1, 2038; interest rate: 3.94%	17,400
Total tax increment financing (TIF) bonds	\$ 105,906

Ballpark revenue bonds:

Series 2006A, issued on May 15, 2006, in the amount of \$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%	\$ 146,445
Series 2006B-1, issued on May 15, 2006, in the amount of \$354,965 (Tax-Exempt) to finance a portion of the cost of construction of the District's baseball stadium; final maturity date: February 1, 2036; interest rates ranging from 4.00% to 5.50%	139,035
Total ballpark revenue bonds	\$ 285,480

Federal highway grant anticipation revenue bonds (GARVEE):

Series 2011, issued on February 16, 2011, in the amount of \$82,610, to: (a) finance a portion of the 11th Street Bridge Project, (b) pay certain costs of issuing the 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%	\$ 51,065
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 Bonds; final maturity date: December 1, 2027; interest rates ranging from 2.00% to 5.00%	31,555
Total federal highway grant anticipation revenue bonds (GARVEE)	\$ 82,620

Deed tax revenue bonds (Housing production trust fund program):

Series 2007A, issued on May 31, 2007, in the amount of \$34,105, to finance, refinance and reimburse a portion of the costs of redeveloping, constructing, acquiring, furnishing and equipping the Northwest One New Communities Project and pay the costs of issuing the Bonds; final maturity date: June 1, 2037; interest rates ranging from 4.00% to 5.00%	\$ 26,725
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 issuing the Bonds; final maturity date: June 1, 2040; interest rates ranging from 3.39% to 5.00%	45,440
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 Bonds; final maturity date: June 1, 2042; interest rates ranging from 3.00% to 5.00%	35,225
Total deed tax revenue bonds (Housing production trust fund program)	\$ 107,390

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%	\$ 37,905
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; final maturity date: December 1, 2037; interest rate: 0.75% of the LIBOR 30-day index plus 1.70%. (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, 2018 is \$24,818).	14,835
Southwest Waterfront Project Revenue Bond (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); final maturity date: June 1, 2040; interest rates ranging from 2.82% to 5.04%	145,445
Southwest Waterfront Project Revenue Bond (The Wharf Project) Series 2018 issued on August 23, 2018, in the amount of \$27,500, to finance construction of public infrastructure at the Southwest Waterfront (the Wharf); final maturity date: June 1, 2040; interest rate: LIBOR 30-day index plus 0.85%. (Structured as a 5-year interest-only draw-down bond, with interest paid on drawn funds and has a mandatory repurchase date of August 23, 2023, when it will be extended or refinanced. Total cumulative draw-downs as of September 30, 2018 is \$21,513).	21,513
Total PILOT revenue bonds and notes	\$ 219,698
Total bonds and notes	\$ 9,968,039

NOTE 7. LONG-TERM LIABILITIES

Other long-term liabilities:	
225 Virginia Avenue lease	\$ 82,633
Premium on long-term debt	771,523
Bond anticipation notes	275,000
Equipment financing program	16,052
Accreted interest	297,686
Long-term tax refunds	143,138
Long-term payroll accrual	1,715
Annual leave	192,724
Disability compensation	108,535
Grant disallowances	11,970
Claims and judgments	153,144
Net pension liabilities	85,761
Total other long-term liabilities	<u>\$ 2,139,881</u>
Total long-term liabilities – governmental activities	<u>\$ 12,107,920</u>
BUSINESS-TYPE ACTIVITIES	
Obligation for unpaid prizes	\$ 1,547
Compensated absences	491
Estimated third party settlements	2,816
Malpractice loss reserves	2,416
Total long-term liabilities – business-type activities	<u>\$ 7,270</u>

NOTE 7. LONG-TERM LIABILITIES

B. ANNUAL DEBT SERVICE REQUIREMENT TO MATURITY

Tables N7-2 through N7-17 present annual debt service requirements to maturity for the District's outstanding long-term liabilities as of September 30, 2018.

Table N7-2
General Obligation Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 161,095	\$ 220,728	\$ 381,823
2020	206,275	217,714	423,989
2021	200,515	208,062	408,577
2022	208,635	198,564	407,199
2023	188,145	188,745	376,890
2024-2028	940,125	815,557	1,755,682
2029-2033	1,135,730	585,075	1,720,805
2034-2038	1,179,035	292,074	1,471,109
2039-2043	607,550	59,698	667,248
Total	\$ 4,827,105	\$ 2,786,217	\$ 7,613,322

Table N7-3
Qualified Zone Academy Bonds (QZAB) (\$000s)

Year Ending September 30	Principal
2019	\$ 454
2020	454
2021	454
2022	276
2023	276
2024-2025	552
Total	\$ 2,466

Table N7-4
Income Tax Secured Revenue Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 159,030	\$ 186,052	\$ 345,082
2020	145,470	178,888	324,358
2021	170,485	171,509	341,994
2022	197,410	162,733	360,143
2023	221,770	152,570	374,340
2024-2028	1,246,930	581,954	1,828,884
2029-2033	1,030,115	277,174	1,307,289
2034-2038	605,045	57,006	662,051
Total	\$ 3,776,255	\$ 1,767,886	\$ 5,544,141

Table N7-5
Tobacco Settlement Asset-Backed Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 44,560	\$ 20,804	\$ 65,364
2020	28,070	17,908	45,978
2021	30,530	16,083	46,613
2022	31,225	14,099	45,324
2023	32,225	12,047	44,272
2024-2026	146,245	22,769	169,014
2044-2046	159,733	1,697,592	1,857,325
2054-2055	88,531	2,478,469	2,567,000
Total	\$ 561,119	\$ 4,279,771	\$ 4,840,890

Table N7-6
TIF - Gallery Place Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
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	2,780	1,532	4,312
2024-2028	16,125	5,432	21,557
2029-2031	11,740	1,193	12,933
Total	\$ 40,500	\$ 15,549	\$ 56,049

Table N7-7
TIF - Mandarin Oriental Hotel Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 1,544	\$ 2,960	\$ 4,504
2020	1,448	3,057	4,505
2021	2,954	1,555	4,509
2022	4,280	225	4,505
Total	\$ 10,226	\$ 7,797	\$ 18,023

Table N7-8
TIF - City Market at O Street Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
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	850	1,763	2,613
2024-2028	6,770	8,018	14,788
2029-2033	8,665	6,218	14,883
2034-2038	11,060	3,820	14,880
2039-2041	8,085	843	8,928
Total	\$ 37,780	\$ 27,958	\$ 65,738

Table N7-9
TIF - Skyland Town Center Project (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ -	\$ 688	\$ 688
2020	-	686	686
2021	-	686	686
2022	682	672	1,354
2023	709	644	1,353
2024-2028	3,988	2,771	6,759
2029-2033	4,837	1,907	6,744
2034-2038	5,868	856	6,724
2039	1,316	26	1,342
Total	\$ 17,400	\$ 8,936	\$ 26,336

NOTE 7. LONG-TERM LIABILITIES

Table N7-10
Ballpark Revenue Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 2,635	\$ 15,881	\$ 18,516
2020	3,055	15,708	18,763
2021	3,510	15,507	19,017
2022	3,995	15,276	19,271
2023	4,525	15,014	19,539
2024-2028	102,310	61,577	163,887
2029-2033	121,025	29,029	150,054
2034-2036	44,425	4,255	48,680
Total	\$ 285,480	\$ 172,247	\$ 457,727

Table N7-11
Federal Highway Grant Anticipation Revenue Bonds (GARVEE) (\$000s)

Year Ending September 30	Principal	Interest	Total
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	9,510	2,257	11,767
2024-2028	39,250	4,035	43,285
Total	\$ 82,620	\$ 19,509	\$ 102,129

Table N7-12
Deed Tax Revenue Bonds (Housing Production Trust Fund) (\$000s)

Year Ending September 30	Principal	Interest	Total
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	3,605	4,215	7,820
2024-2028	20,780	18,336	39,116
2029-2033	25,785	13,328	39,113
2034-2038	29,830	7,143	36,973
2039-2042	14,545	1,315	15,860
Total	\$ 107,390	\$ 62,803	\$ 170,193

Table N7-13
PILOT - Anacostia Waterfront Corporation Revenue Bonds (\$000s)

Year Ending September 30	Principal	Interest	Total
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
Total	\$ 37,905	\$ 3,772	\$ 41,677

Table N7-14
PILOT - The Yards Revenue Note (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ -	\$ 521	\$ 521
2020	14,835	1,472	16,307
Total	\$ 14,835	\$ 1,993	\$ 16,828

Table N7-15
PILOT - Southwest Waterfront Project Revenue Bonds (The Wharf) (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ -	\$ 7,271	\$ 7,271
2020	4,330	7,271	11,601
2021	4,350	7,149	11,499
2022	4,705	7,015	11,720
2023	26,483	6,748	33,231
2024-2028	27,885	28,064	55,949
2029-2033	34,535	21,402	55,937
2034-2038	43,880	12,064	55,944
2039-2040	20,790	1,585	22,375
Total	\$ 166,958	\$ 98,569	\$ 265,527

Table N7-16
225 Virginia Avenue Lease (\$000s)

Year Ending September 30	Principal	Interest	Total
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	4,991	4,283	9,274
2024-2028	30,676	15,692	46,368
2029-2032	30,047	3,955	34,002
Total	\$ 82,633	\$ 44,105	\$ 126,738

Table N7-17
Equipment Financing Program (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 11,614	\$ 230	\$ 11,844
2020	4,438	48	4,486
Total	\$ 16,052	\$ 278	\$ 16,330

NOTE 7. LONG-TERM LIABILITIES

Table N7-18 presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2018. 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 91.

Table N7-18
Aggregate Debt Service Requirements and Net Receipts / Payments on Hedging Derivative Instruments (\$000s)

Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2019	\$ 8,960	\$ 5,583	\$ 5,572	\$ 20,115
2020	43,270	5,380	5,309	53,959
2021	34,860	4,295	4,576	43,731
2022	36,400	3,551	3,777	43,728
2023	27,475	2,898	3,112	33,485
2024-2027	120,700	5,932	6,464	133,096
Total	\$ 271,665	\$ 27,639	\$ 28,810	\$ 328,114

C. LONG-TERM DEBT ACTIVITY DURING FISCAL YEAR

Table N7-19 presents long-term debt activity for the year ended September 30, 2018.

Table N7-19
Long Term Debt Activity (\$000s)

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 4,078,160	\$ 1,237,325	\$ (488,380)	\$ 4,827,105	\$ 161,095
QZAB	3,155	-	(689)	2,466	454
Income tax secured revenue bonds	4,030,695	-	(254,440)	3,776,255	159,030
Tobacco settlement asset-backed bonds	583,434	-	(22,315)	561,119	44,560
Tax increment financing bonds	92,686	20,400	(7,180)	105,906	4,284
Ballpark revenue bonds	334,005	-	(48,525)	285,480	2,635
Federal highway grant anticipation revenue bonds (GARVEE)	90,170	-	(7,550)	82,620	7,905
Deed tax revenue bonds (housing production trust fund program)	110,240	-	(2,850)	107,390	2,990
PILOT revenue bonds	205,696	26,001	(11,999)	219,698	8,960
225 Virginia Avenue lease	86,198	-	(3,565)	82,633	3,813
Premium on long-term debt	690,729	163,318	(82,524)	771,523	73,117
Bond anticipation notes	-	275,000	-	275,000	-
Equipment financing program	34,742	-	(18,690)	16,052	11,614
Accreted interest	265,801	31,885	-	297,686	-
Long-term tax refunds	168,241	13,300	(38,403)	143,138	-
Long-term payroll accrual	1,288	427	-	1,715	-
Annual leave	182,472	10,575	(323)	192,724	190,487
Disability compensation	121,186	3,240	(15,891)	108,535	-
Grant disallowances	11,970	-	-	11,970	-
Claims and judgments	121,825	99,777	(68,458)	153,144	-
Net pension liability	89,748	-	(3,987)	85,761	-
Total long-term liabilities	\$ 11,302,441	\$ 1,881,248	\$ (1,075,769)	\$ 12,107,920	\$ 670,944
BUSINESS-TYPE ACTIVITIES					
Obligation for unpaid prizes	\$ 1,939	\$ -	\$ (392)	\$ 1,547	\$ 410
Compensated absences	446	481	(436)	491	33
Capital lease obligations	36	-	(36)	-	-
Estimated third party settlements	4,683	331	(2,198)	2,816	-
Malpractice loss reserves	2,016	400	-	2,416	-
Total long-term liabilities	\$ 9,120	\$ 1,212	\$ (3,062)	\$ 7,270	\$ 443

NOTE 7. LONG-TERM LIABILITIES

New Bond Issuance

General Obligation Bonds

In December 2017, the District issued the \$521,705 Series 2017D General Obligation Bonds. The proceeds of the Series 2017D 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. Interest rates on the Series 2017D Bonds range from 4.00% to 5.00%.

In August 2018, the District issued \$214,525 Series 2018A General Obligation Bonds. The proceeds of the Series 2018A 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. The interest rate on the Series 2018A Bonds is 5.00%.

The Series 2017D and Series 2018A 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.

Tax Increment Financing Debt

In November 2017, the District issued the \$3,000 Series 2017 Tax Increment Revenue Bond (City Market at O Street Phase II Project). The proceeds of the Series 2017 Bond were used to support a mixed-use development project on the site of the historic O Street Market and provide a grant to the development sponsor for costs of the project. The Series 2017 Bond bears interest at 2.35% and was fully repaid in fiscal year 2018.

In May 2018, the District issued the \$17,400 Series 2018 Tax Increment Financing Revenue Note (Skyland Town Center Project). The proceeds of the Series 2018 Note were used to fund eligible development costs associated with the phased development of an approximately 18.5-acre site located in the southeast quadrant of the District known as Skyland Town Center. The Series 2018 Note bears interest at 3.94%.

Southwest Waterfront Project Revenue Bond

In August 2018, the District issued the \$27,500 Series 2018 Southwest Waterfront Project Revenue Bond (The Wharf Project). The proceeds of the Series 2018 Bonds were used to finance construction of public infrastructure at the Southwest Waterfront (the Wharf), a 24-acre mixed use project in Southwest Washington. The interest rate on the Series 2018 Bonds is LIBOR 30-day index plus 0.85%.

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 4.93% in fiscal year 2018. The weighted average interest rate on the District's variable rate bonds for fiscal year 2018 was 1.74%.

Pledged Tax Revenues for Debt Service on Income Tax Secured Revenue Bonds

During fiscal year 2018, the District collected \$2,641,587 in Income and Business Franchise Taxes. Of this amount, \$345,694, or 13.09%, was held in a restricted bond escrow account in the General Fund for the payment of debt service on outstanding Income Tax Secured Revenue Bonds in fiscal year 2019. The anticipated debt service amount for fiscal year 2019 is \$345,082. Therefore, total available tax revenues collected, set aside and held in escrow in the General Fund in fiscal year 2018 fulfill the total anticipated Income Tax Secured Revenue Bonds debt service obligation for fiscal year 2019 as presented in **Table N7-20**:

Table N7-20
Debt Service Coverage Ratio
Income Tax Secured Revenue Bonds (\$000s)

Available Tax Revenues Collected in FY 2018		
Individual income	\$	2,066,842
Business franchise		574,745
Total		\$ 2,641,587
Amount held in escrow for FY 2019		
debt service	(a)	345,694
FY 2019 debt service amount	(b)	345,082
Rate of coverage (c)=(a)/(b)		100%

In fiscal year 2018, debt service on the Income Tax Secured Revenue Bonds totaled \$348,040. The debt service coverage ratio was 7.59 to 1: Total available taxes of \$2,641,587, divided by FY 2018 debt service of \$348,040.

Refunding and Bond Defeasances

In November 2017, the District issued \$99,935 Series 2017C Multimodal General Obligation Refunding Bonds (remarketed variable rate bonds). The Series 2017C Bonds were issued to current refund/remarket Series 2011E and 2014B, Adjusted SIFMA Rate, Income Tax Secured Revenue Refunding Bonds. The District completed this transaction to establish a new mandatory tender date (December 2022) with the 2017C Bonds replacing the prior amortization schedules of the Series 2011E and 2014B Income Tax Secured Revenue Bonds. In this situation, the refunding/remarketing 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.

NOTE 7. LONG-TERM LIABILITIES

In August 2018, the District issued \$301,160 Series 2018B General Obligation Refunding Bonds. The proceeds of the bonds were used to current refund the District's Series 2008E and 2008F General Obligation Bonds outstanding. The current refunding produced an aggregate difference in debt service of \$64,245 and an economic gain of \$54,052.

Redemption: Ballpark Revenue Bonds

In fiscal year 2018, the District paid \$46,280 of principal on the outstanding Series 2006B-1 Ballpark Revenue Bonds prior to their scheduled maturity. The additional payments were made from surplus revenues dedicated to the payment of Ballpark Revenue Bonds.

General Obligation Direct Purchase Bond Program

Direct purchase bonds are placed directly with a financial institution. This method of sale may be

used in lieu of a public offering through a negotiated or competitive transaction. In November 2017, the District issued \$100,000 in Multimodal General Obligation Bonds, Series 2017B.

Proceeds of the Bonds were used to pay for capital project expenditures under the District's capital improvements plan. The Series 2017B Bonds were issued in the SIFMA Index Mode as authorized under the Tenth Supplemental Indenture by and between the District of Columbia and Wells Fargo Bank, N.A., as trustee dated as of November 1, 2017. The interest on the bonds is payable monthly on the first business day of each month, commencing December 1, 2017.

The Series 2017B Bonds and 2017C Bonds previously discussed in the refunding and bond defeasances section, were purchased by RBC Municipal Products, LLC and the final initial index rate mandatory repurchase date is December 1, 2022 for both bonds.

Table N7-21 provides an overview for each of the direct purchase obligation refundings.

Table N7-21
General Obligation Direct Purchase Bonds (\$000s)

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2016B	\$ 190,145	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
2017B	100,000	6/1/2042	SIFMA Reset / Monthly Pay	RBC Capital Markets, LLC	11/21/2017	12/1/2022
2017C	99,935	6/1/2033	SIFMA Reset / Monthly Pay	RBC Capital Markets, LLC	11/21/2017	12/1/2022
Total	\$ 614,390					

D. OTHER LONG-TERM LIABILITIES**Bond Anticipation Notes**

The District uses Bond Anticipation Notes (BANs) to provide interim financing for capital project expenditures. District statute stipulates that BANs are to be paid or refinanced with long-term debt, no later than the last day of the third fiscal year following the fiscal year of issuance.

In December 2017, the District established a revolving credit facility with U.S. Bank National Association (US Bank). The facility allows the District to draw up to a maximum principal amount of \$200,000 in the form of general obligation bond anticipation notes (Notes) held by U.S. Bank. Interest is due on principal drawn monthly, based on a spread to the LIBOR index. In fiscal year 2018, the District placed \$200,000 of the Notes with U.S. Bank. The outstanding principal will be paid with proceeds from the issuance of long-term bonds on or before the expiration of the facility in March 2021.

In June of 2018, the District established a direct pay letter of credit with Industrial and Commercial Bank of China Limited. The letter of credit supports the District's issuance, up to a maximum principal amount

of \$300,000, of general obligation commercial paper bond anticipation notes (CP Notes). From time to time the District issues CP Notes maturing between one and 270 days. Interest on outstanding CP Notes is paid at maturity and principal is paid with newly issued CP Notes, referred to as a rollover, or with proceeds from the issuance of long-term bonds. In fiscal year 2018, the District issued \$75,000 of CP Notes. Principal on all outstanding CP Notes will be paid on or before the expiration of the letter of credit in September 2021.

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. Beginning in fiscal year 2018, these assets were financed through Bond Anticipation Notes.

As of September 30, 2018, the program's outstanding principal totaled \$16,052. 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 the Equipment Lease Purchase Program is due on September 25, 2020.

NOTE 7. LONG-TERM LIABILITIES

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, 2018, MUSL purchased for the Lottery, U.S. government securities totaling \$1,610 to fund future installment payments to winners. The fair market value of these securities as of September 30, 2018, was \$1,547. 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 a 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. 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 a 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.

On February 22, 2018, WCSA issued \$333,100 in Series 2018A and Series 2018B Senior Lien Dedicated Tax Revenue Refunding Bonds with interest rates ranging from 1.39% to 3.00%. The proceeds from the Bonds were used to current refund outstanding maturities of Series 2007 and advance refund Series 2010C, respectively. The Authority deposited the net proceeds from Series 2018B along with other funds of the Authority in an irrevocable trust to provide for all future debt service on the refunded Series 2010C Bonds. As a result, the Series 2010C Bonds are considered legally defeased and, as such, are not reflected in "Bonds Payable" at September 30, 2018. The refunding produced an aggregate difference in debt service between the refunded debt and the refunding debt of \$9,700.

Table N7-22 presents the debt service requirements to maturity for principal and interest for WCSA's outstanding bonds.

Table N7-22
Debt Service Requirements to Maturity
Washington Convention and Sports Authority
(\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 18,105	\$ 24,963	\$ 43,068
2020	24,380	24,069	48,449
2021	25,600	22,840	48,440
2022	27,590	21,531	49,121
2023	28,960	20,137	49,097
2024-2028	112,700	86,519	199,219
2029-2033	144,450	46,189	190,639
2034-2038	70,650	22,425	93,075
2039-2041	46,805	3,345	50,150
Subtotal	499,240	272,018	771,258
Add:			
Unamortized bond premium, net	37,000	-	37,000
Total	\$ 536,240	\$ 272,018	\$ 808,258

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,

NOTE 7. LONG-TERM LIABILITIES

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 typically do not exceed 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 2018

During fiscal years 2010 through 2018, 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 2018, refer to the separately issued financial statements for that year. The contact information can be found in Note 1 on page 63.

Table N7-23 presents the debt service requirements to maturity for principal and interest for the Housing Finance Agency's outstanding bonds.

Table N7-23
Debt Service Requirements to Maturity
Housing Finance Agency (\$000s)

Year Ending September 30	Principal	Interest	Total
2019	\$ 33,356	\$ 58,311	\$ 91,667
2020	87,740	56,194	143,934
2021	65,000	54,945	119,945
2022	53,458	52,492	105,950
2023	16,804	51,402	68,206
2024-2028	145,597	241,527	387,124
2029-2033	150,771	206,633	357,404
2034-2038	189,778	164,642	354,420
2039-2043	127,073	137,356	264,429
2044-2048	270,262	102,759	373,021
2049-2053	299,066	37,496	336,562
2054-2058	6,424	682	7,106
Subtotal	1,445,329	1,164,439	2,609,768
Add:			
Unamortized bond premium, net	1,345	-	1,345
Total	\$ 1,446,674	\$ 1,164,439	\$ 2,611,113

NOTE 8. 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, 2018, there were 1,328 District employees who were covered by CSRS. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at www.opm.gov.

Funding Policy

CSRS-covered employees contribute 7.00% of their base pay (annual salary) to CSRS, and the District matches the contributions made by employees. Contribution requirements of those participating in the CSRS are established (and may be amended) by the OPM. The District contributed 100% of the required amount to the CSRS for each of the past three fiscal years. The District's CSRS contributions for the years ended September 30, 2018, 2017, and 2016, were \$8,197, \$9,167, and \$9,594, 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 \$128,400 (not in thousands) for 2018, 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 the threshold 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 the threshold. 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, 2018, 2017 and 2016, were \$103,508, \$97,599, and \$89,350, respectively. In addition, District contributions for Medicare for fiscal years 2018, 2017 and 2016 were \$38,789, \$37,771 and \$35,670, 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), 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 officers 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:

District of Columbia Retirement Board
Executive Director
900 7th Street, N.W., 2nd Floor
Washington, DC 20001
Website: <https://dcrb.dc.gov>

NOTE 8. RETIREMENT PROGRAMS

Benefits Provided

The District of Columbia Teachers' Retirement Fund

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

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

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

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

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 the number of

NOTE 8. RETIREMENT PROGRAMS

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

Table N8-1 presents the number of plan members that were covered by the benefit terms as of September 30, 2018 and 2017.

Table N8-1
Plan Members Covered by Benefit Terms
District Retirement Funds

	2018	2017
TRF*		
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	3,990	3,899
Active plan members	5,066	5,199
Vested terminations	1,429	1,330
Total	10,485	10,428
POFR*		
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	3,441	3,215
Active plan members	5,349	5,312
Vested terminations	315	340
Total	9,105	8,867

Note:

* 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's contributions for fiscal years 2018 and 2017 were equal to the amounts computed, if

any, by DCRB's independent actuary. **Table N8-2** presents required amounts contributed by the District to the District Retirement Funds for fiscal years 2018 and 2017. 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 N8-2
District Contributions
District Retirement Funds (\$000s)

Fiscal Year Ended	TRF	POFRF
September 30, 2018	\$ 59,046	\$ 105,596
September 30, 2017	56,781	145,631

Net Pension Liability

The District's net pension liability (asset) was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2017. **Table N8-3** presents the aggregate amounts of the District Retirement Funds as of September 30, 2018.

Table N8-3
Aggregate Amounts
District Retirement Funds (\$000s)

	TRF	POFRF
Total pension liabilities	\$ 2,261,867	\$ 5,265,874
Pension net position	2,176,106	6,023,770
Deferred outflows of resources	68,825	172,833
Deferred inflows of resources	112,147	469,080
Pension expense	31,081	61,137
Net pension liabilities (assets)	85,761	(757,896)

Actuarial Assumptions

The total pension liability was determined based on an actuarial valuation as of October 1, 2017, then updated using actuarial assumptions presented in **Table N8-4**, applied to all periods included in the measurement and rolled forward to the measurement date as of September 30, 2018.

NOTE 8. RETIREMENT PROGRAMS

Table N8-4
Summary of Actuarial Assumptions Used to Determine Total Pension Liability
As of September 30, 2018

	TRF	POFRF
Inflation	3.50%	3.50%
Salary increases	5.50 - 8.63%, including wage inflation of 4.25 %	4.25 - 9.98%, 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 7 years 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. Post-disability mortality rates were based on the RPH-2014 Disabled Mortality Table set back 6 years for males and set forward 7 years for females.

The actuarial assumptions used in the October 1, 2017 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 N8-5** presents target allocation and best estimates of geometric real rates of return for each major asset class.

Table N8-5
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 %	5.30 %
Foreign equity (developed)	16.00 %	5.90 %
Foreign equity (emerging)	10.00 %	8.60 %
Investment grade bonds	11.00 %	0.70 %
Treasury inflation-protected securities (TIPS)	6.00 %	0.40 %
High yield bonds	4.00 %	3.50 %
Bank loans	3.00 %	2.30 %
Foreign bonds (developed)	2.00 %	(0.30)%
Emerging markets debt (local)	4.00 %	3.50 %
Real estate	6.00 %	3.90 %
Natural resources (private)	2.00 %	6.00 %
Infrastructure	3.00 %	3.60 %
Private equity	9.00 %	7.00 %
Hedge funds	4.00 %	3.10 %
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the District contributions will be made in accordance with 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 N8-6 presents changes in the District's Net Pension Liability (Asset) for the year ended September 30, 2018.

NOTE 8. RETIREMENT PROGRAMS

**Table N8-6
Changes in Net Pension Liability (Asset)
(\$000s)**

	Increase (Decrease)					
	Teachers' Retirement Fund			Police Officers' and Firefighters' Retirement Fund		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2017	\$ 2,160,347	\$ 2,070,599	\$ 89,748	\$ 4,957,340	\$ 5,684,442	\$ (727,102)
Changes for the year						
Service cost	67,877	-	67,877	182,641	-	182,641
Interest	137,704	-	137,704	318,719	-	318,719
Difference between expected and actual experience	(19,505)	-	(19,505)	(84,452)	-	(84,452)
Contributions - employer	-	59,046	(59,046)	-	105,596	(105,596)
Contributions - employees	-	40,324	(40,324)	-	34,478	(34,478)
Net investment income	-	94,129	(94,129)	-	316,842	(316,842)
Benefit payments, including refunds of employee contributions	(84,556)	(84,556)	-	(108,374)	(108,374)	-
Administrative expenses	-	(4,474)	4,474	-	(11,570)	11,570
Other income	-	1,038	(1,038)	-	2,356	(2,356)
Net Changes	<u>101,520</u>	<u>105,507</u>	<u>(3,987)</u>	<u>308,534</u>	<u>339,328</u>	<u>(30,794)</u>
Balances at September 30, 2018	<u>\$ 2,261,867</u>	<u>\$ 2,176,106</u>	<u>\$ 85,761</u>	<u>\$ 5,265,874</u>	<u>\$ 6,023,770</u>	<u>\$ (757,896)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

Table N8-7 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 N8-7
Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate (\$000s)**

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Teachers' plan's net pension liability (asset)	\$ 477,094	\$ 85,761	\$ (224,803)
Police officers' and firefighters' plan's net pension liability (asset)	232,199	(757,896)	(1,536,649)

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, 2018, the District recognized pension expenses of \$31,081 and \$61,137 for TRF and POFRF, respectively. Table N8-8 presents deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2018.

NOTE 8. RETIREMENT PROGRAMS

Table N8-8
Deferred Outflows of Resources and Deferred Inflows of Resources
District Retirement Funds (\$000s)

Differences between expected and actual experience
 Changes of assumptions
 Net difference between projected and actual earnings on plan investments
Total

TRF		POFRF	
Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
\$ -	\$ 19,375	\$ -	\$ 215,846
1,998	-	37,164	-
66,827	92,772	135,669	253,234
\$ 68,825	\$ 112,147	\$ 172,833	\$ 469,080

Table N8-9 presents deferred outflows of resources and deferred inflows of resources that will be recognized in pension expenses in future periods.

Table N8-9
Schedule of Amortization of Deferred Outflows (Deferred Inflows) of Resources
District Retirement Funds (\$000s)

Year ended September 30	TRF	POFRF
2019	\$ 1,583	\$ (49,291)
2020	(31,889)	(138,826)
2021	(20,535)	(83,116)
2022	7,519	(2,935)
2023	-	(12,474)
Thereafter	-	(9,605)

Payable to the Pension Plans

The District's contributions for fiscal years 2018, 2017, and 2016 were equal to the fund's independent actuary's recommendation; therefore, there were no outstanding amounts due to the plans as of September 30, 2018.

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, 2018, there were 18,745 employees participating in the Section 401(a) plan. Employees do not contribute to the plan and are eligible to participate after one year of service.

The District contributes 5.00% 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, 2018, 2017, and 2016, District's contributions to the plan were \$69,458, \$65,133, and \$60,382, respectively.

This plan also covers employees of the D.C. Housing Authority and the Health Benefit Exchange Authority, while the employees of the Housing Finance Agency, Washington Convention and Sports Authority, the University of the District of Columbia, and the Not-for-Profit Hospital Corporation are covered under separate defined contribution plans.

C. DEFERRED COMPENSATION PLANS

Internal Revenue Code Section 403(b) Plan

The District sponsors an annuity purchase plan 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 \$18,500 (not in thousands) of their annual compensation for calendar year 2018. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) \$3,000 (not in thousands) in additional contributions; (b) \$15,000 (not in thousands) reduced by amounts contributed under this special provision in prior years; or (c) \$5,000 (not in thousands) 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 \$6,000 (not in thousands) in 2018. As of September 30, 2018, there were 3,560 employees participating in the Section 403(b) plan. District employees contributed \$22,741 to this annuity plan in fiscal year 2018. Contributions vest immediately and are not assets of the District.

NOTE 8. RETIREMENT PROGRAMS

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 \$18,500 (not in thousands) or 100% of includable compensation in calendar year 2018. 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, \$37,000 (not in thousands); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of \$6,000 (not in thousands) is available to participants who are at least 50 years old before the end of the calendar year.

As described in the Legislative Branch Employee Retirement Benefits Match Amendment Act of 2017 (D.C. Act 22-130, Section 1112 (b)), which became effective December 13, 2017, for employees of the

Council, the Office of the District of Columbia Auditor, and the Office of Advisory Neighborhood Commissions participating in the deferred compensation plan established by D.C. Code § 1-626.05 (2), the District shall contribute each pay period an amount equal to the employee’s contribution for that pay period pursuant to D.C. Code § 1–626.09; provided, that the District’s contribution on behalf of the employee shall not exceed 3.00% of the employee’s base salary during that pay period.

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, 2018, there were 14,635 employees participating in the Section 457 plan. District employees contributed \$69,561 to this plan in fiscal year 2018. Contributions are not assets of the District, and the District has no further liability to the plan.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description

The District of Columbia Other Postemployment Benefits (OPEB or OPEB 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 OPEB 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 Officers' and Firefighters' Retirement Plan or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the OPEB Plan. OPEB provides medical care and life insurance benefits to eligible employees.

D.C. Code §1-621.09 authorizes the Mayor to determine the amount of the District's 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, 2018, the OPEB Plan had 1,683 members. The OPEB Plan's administrators issue a publicly available financial report that includes financial statements and required supplementary information for the OPEB 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

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

Benefits Provided

Cost sharing arrangements for annuitants vary depending on whether the employee was a General Employee, Teacher, Police Officer or Firefighter. For General Employees and Teachers, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 75%, reduced by an additional 2.50% for each year of creditable service over 10 years up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan.

For annuitants with 30 or more years of creditable District service, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

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

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Table N9-1 presents the number of OPEB Plan members that were covered by the benefit terms as of September 30, 2018 and 2017.

**Table N9-1
Plan Members Covered by Benefit Terms
OPEB**

	2018	2017
Inactive OPEB plan members currently receiving benefits	1,683	1,538
Total	1,683	1,538

Contributions

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.

In accordance with the provisions of D.C. Code §1-621.09, the District is required to contribute the amounts necessary to finance the OPEB Plan through annual contributions at actuarially determined amounts. Fiscal years 2018 and 2017 contribution amounts were equal to amounts computed by an

independent actuary which was retained by the District. **Table N9-2** presents required amounts contributed by the District to the OPEB Plan for fiscal years 2018 and 2017.

**Table N9-2
District Contributions
OPEB (\$000s)**

Fiscal Year Ended	Amount
September 30, 2018	\$ 44,500
September 30, 2017	31,000

Net OPEB Liability (Asset)

The District’s net OPEB liability (asset) was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of September 30, 2017, rolled forward to the measurement date.

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation as of September 30, 2017, then updated using actuarial assumptions presented in **Table N9-3**, applied to all periods included in the measurement and rolled forward to the measurement date as of September 30, 2018.

**Table N9-3
Summary of Actuarial Assumptions Used to Determine Total OPEB Liability
As of September 30, 2018**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	18 years beginning with fiscal year end 2018
Asset Valuation Method	Market Value
Investment rate of return	6.50%
Discount Rate	6.50%
Salary Increase Rate	3.50% (plus merit scale)
Medical Inflation Rate	5.50%, grading to 3.90%. Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2040.
Mortality	The RP-2014 Healthy Employee Mortality Table with the MP-2017 Improvement Scale, fully generational, was used for healthy lives both pre- and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of the most recent actuarial experience investigation for the period September 30, 2012 to September 30, 2017, dated March 2018.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of

investment expense and including 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 N9-4** presents target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2018.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Table N9-4
Summary of Target Allocation and Long-Term Expected Real Rate of Return by Asset Class
OPEB

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	45.00%	7.90%
International equity	9.00%	8.90%
Emerging market equity	4.00%	11.30%
Core fixed income	24.00%	3.20%
Developed markets fixed income	10.00%	2.90%
Emerging market debt	3.00%	6.10%
Commodities	5.00%	6.40%
Cash	0.00%	2.60%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability (Asset)

Table N9-5 presents changes in the District's net OPEB liability (asset) for the year ended September 30, 2018.

Table N9-5
Changes in Net OPEB Liability (Asset)
(\$000s)

	Increase (Decrease)		Net OPEB Liability (Asset) (a)-(b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances at September 30, 2017	\$ 1,224,600	\$ 1,366,282	\$ (141,682)
Changes for the year			
Service cost	52,835	-	52,835
Interest	79,095	-	79,095
Difference between expected and actual experience	(729)	-	(729)
Changes in assumptions	50,940	-	50,940
Insurance carrier premiums net of retiree contributions	(15,740)	-	(15,740)
Contributions - employer and annuitants	-	45,206	(45,206)
Net investment income	-	67,386	(67,386)
Benefit payments, including refunds of employee contributions	-	(16,447)	16,447
Administrative expenses	-	(397)	397
Net changes	166,401	95,748	70,653
Balances at September 30, 2018	\$ 1,391,001	\$ 1,462,030	\$ (71,029)

Changes in assumptions which increased the total OPEB liability by \$50,940, included changes in healthcare costs and trends.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Sensitivity of the Net OPEB Liability (Asset) to the Changes in the Discount Rate

Table N9-6 presents the net OPEB liability (asset) of the District of Columbia, as well as what the District’s net OPEB liability (asset) would be if it were

calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate.

**Table N9-6
Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate (\$000s)**

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability (asset)	\$ 172,018	\$ (71,029)	\$ (264,571)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

Table N9-7 presents the net OPEB liability (asset) of the District of Columbia, as well as what the District’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are

1-percentage-point lower (4.5 percent decreasing to 2.9 percent) or 1-percentage-point higher (6.5 percent decreasing to 4.9 percent) than the current healthcare cost trend rate.

**Table N9-7
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates (\$000s)**

	1% Decrease (4.5% decreasing to 2.9%)	Healthcare Cost Trend Rates (5.5% decreasing to 3.9%)	1% Increase (6.5% decreasing to 4.9%)
Net OPEB liability (asset)	\$ (296,587)	\$ (71,029)	\$ 222,090

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan’s fiduciary net position is available in the separately issued OPEB financial statements and required supplementary information issued by the OPEB Plan’s administrators.

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the District recognized OPEB expense of \$53,354. **Table N9-8** presents deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2018.

**Table N9-8
Deferred Outflows of Resources and Deferred Inflows of Resources OPEB (\$000s)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 637
Changes of assumptions	44,572	-
Net difference between projected and actual earnings on plan investments	17,865	-
Total	\$ 62,437	\$ 637

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Table N9-9 presents deferred outflows of resources and deferred inflows of resources that will be recognized in OPEB's expenses in future periods.

Table N9-9
Schedule of Amortization of Deferred Outflows
(Deferred Inflows) of Resources
OPEB (\$000s)

<u>Year ended</u> <u>September 30</u>	<u>Deferred Outflows</u>
2019	\$ 10,743
2020	10,743
2021	10,743
2022	10,743
2023	6,276
Thereafter	12,552

Payable to the OPEB Plan

The District's contributions for fiscal years 2018, 2017, and 2016 were equal to the OPEB Plan's independent actuary recommendation; therefore, there were no outstanding amounts due to the OPEB Plan as of September 30, 2018.

NOTE 10. FUND BALANCE / NET POSITION

Fund balances as of September 30, 2018, are shown in **Table N10-1**.

Table N10-1
Schedule of Fund Balance (\$000s)

	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventory	\$ 8,270	\$ -	\$ -	\$ -	\$ -	\$ 8,270
Total nonspendable fund balance	8,270	-	-	-	-	8,270
Restricted for:						
Emergency and contingency cash reserves	419,504	-	-	-	-	419,504
Debt service - bond escrow	520,693	-	-	-	-	520,693
Budget	452	-	-	-	-	452
Purpose restrictions	132,017	133,067	-	-	-	265,084
Payment-in-lieu of taxes	-	-	-	-	79,020	79,020
Tobacco settlement	-	-	-	-	83,032	83,032
Tax increment financing program	33,052	-	-	-	61,784	94,836
Housing production trust	-	-	167,397	-	-	167,397
Highway projects	-	-	-	-	56,643	56,643
Baseball special revenue	-	-	-	-	58,791	58,791
Total restricted fund balance	1,105,718	133,067	167,397	-	339,270	1,745,452
Committed to:						
Fiscal stabilization reserve	203,283	-	-	-	-	203,283
Cash flow reserve	712,755	-	-	-	-	712,755
Budget support act	70,800	-	-	-	-	70,800
Soccer stadium	16,111	-	-	-	-	16,111
Dedicated taxes	16,869	-	-	-	-	16,869
Subsequent years' expenditures	428,505	-	-	-	-	428,505
Other special purposes	186,825	-	-	-	-	186,825
Total committed fund balance	1,635,148	-	-	-	-	1,635,148
Assigned to subsequent years' expenditures	27,247	-	-	-	-	27,247
Unassigned fund balance	-	-	-	(522,345)	-	(522,345)
Total fund balance	\$ 2,776,383	\$ 133,067	\$ 167,397	\$ (522,345)	\$ 339,270	\$ 2,893,772

The net position of the proprietary and fiduciary funds as of September 30, 2018 is shown in **Table N10-2**.

Table N10-2
Schedule of Net Position Proprietary and Fiduciary Funds (\$000s)

	Lottery & Games	Unemployment Compensation Fund	Not-for-Profit Hospital Corporation	Fiduciary Funds
NET POSITION				
Net investment in capital assets	\$ 646	\$ -	\$ 71,823	\$ -
Restricted	-	436,739	22,464	10,281,609
Unrestricted	4,014	-	226	-
Total net position	\$ 4,660	\$ 436,739	\$ 94,513	\$ 10,281,609

NOTE 11. 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 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, 2018 and 2017, the District abated taxes (real property taxes and possessory interest taxes) totaled \$10.1 million and \$6.7 million, respectively. **Table N11-1** presents the aggregate amounts of taxes abated during fiscal years 2018 and 2017.

Table N11-1
Tax Abatement Programs (\$000s)

Tax abatement programs	FY 2018	FY 2017
Special tax incentives program		
Real property tax	\$ 9,159	\$ 6,575
Possessory interest tax	984	158
Total	\$ 10,143	\$ 6,733

NOTE 12. JOINT VENTURE AND TRANSACTIONS WITH COMPONENT UNITS

A. WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

The Washington Metropolitan Area Transit Authority (WMATA) was created by an Interstate Compact between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89-774. The District's commitment or obligation to provide financial assistance to WMATA is established by annual appropriations, as approved by Congress. The District supports WMATA through operating, debt service, and capital grants. The District places the amounts to be provided to WMATA in an escrow account until such time when the funds are drawn down for use by WMATA. Operating grants may be in the form of operating and interest subsidies. WMATA records the District's operating grants as advanced contributions when received and as non-operating revenues when the related expenses are incurred. WMATA recognizes the District's capital grants as additions to construction in progress and investment in capital assets when the grant resources are expended for capital acquisitions. **Table N12-1** presents a summary of the grants provided to WMATA during the fiscal year ended September 30, 2018.

Table N12-1
Summary of Grants Provided to WMATA
(\$000s)

	Local	Capital
Operating grants	\$ 396,460	\$ -
School transit subsidy	22,738	-
Capital grants	-	129,427
Total	<u>\$ 419,198</u>	<u>\$ 129,427</u>

WMATA issues separate audited financial statements which can be requested from:

Washington Metropolitan Area Transit Authority
General Manager
600 5th Street, N.W.
Washington, DC 20001

Table N12-2 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 N12-2
Summary of Financial Statements for WMATA
as of and for the year ended June 30, 2018
(\$000s)

FINANCIAL POSITION	
Total assets	\$ 13,640,038
Total deferred outflows of resources	591,216
Total liabilities	(4,961,992)
Total deferred inflows of resources	(520,779)
Net position	<u>\$ 8,748,483</u>
OPERATING RESULTS	
Operating revenues	\$ 800,523
Operating expenses	(2,772,642)
Nonoperating revenues, net	1,015,108
Revenue from capital contributions	983,574
Change in net position	<u>\$ 26,563</u>
CHANGE IN NET POSITION	
Net position, beginning of year, as restated	\$ 8,721,920
Change in net position	26,563
Net position, end of year	<u>\$ 8,748,483</u>

B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2018, 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, \$141,448; and the University of the District of Columbia, \$91,649. The District did not provide subsidies to the Health Benefit Exchange Authority and the Housing Finance Agency.

NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

A. FEDERAL 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, 2018, totaled \$528,300, which comprised of \$467,300 in on-behalf payments to the DC Federal Pension Fund and \$61,000 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, 2018, 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 2018.

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 \$188,660 in fiscal year 2018.

D. GRANTS

In addition to SNAP, the District participates in a number of programs which are funded by the federal government through formula and project grants, direct and guaranteed loans, direct payments for specified and unrestricted use, and other pass-through grants.

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

NOTE 14. LEASES

The accounting standards for leases classify lease agreements into: 1) capital lease, and 2) operating lease. A capital lease requires the recognition of lease asset and lease liability in the government-wide statement of net position. As of September 30, 2018, The District did not have any outstanding capital 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 \$156,567 in fiscal year 2018.

Table N14-1 shows the future minimum lease payments for all operating leases having non-cancelable terms in excess of one year as of September 30, 2018.

**Table N14-1
Schedule of Future Minimum Lease
Commitments (\$000s)**

Year Ending September 30	Primary Government Operating Leases	
	Facilities	Equipment
2019	\$ 93,275	\$ 3,551
2020	92,812	2,497
2021	84,723	285
2022	77,164	21
2023	76,838	-
2024-2028	255,788	-
2029-2033	57,909	-
2034-2038	13,142	-
2039-2043	917	-
2044-2048	1,063	-
2049-2050	271	-
Minimum lease payments	\$ 753,902	\$ 6,354

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District retains the risk of losses and pays all claim settlements and judgments from its general fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. Claim expenditures and liabilities are reported in the government-wide financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated, and reported in the general fund when due and payable. These losses include an estimate of claims that have been incurred but not reported.

B. GRANTS AND CONTRACTS

The District has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the District. The audits of these federally assisted programs have not been conducted for the year ended September 30, 2018. 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, 2018, 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 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 cash or 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, 2018, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was (\$21,031) as indicated in **Table N2-13**. The District's general obligation credit ratings by Standard & Poor's, Moody's and Fitch is AA+/Aaa/AA+, respectively; therefore, no collateral had been posted as of September 30, 2018.

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, 2018.

The accrued liability is based on estimates of the payments that will be made upon legal judgment or resolution of the claims. 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 \$51,800.

In fiscal year 2018, there was a \$14,750 net decrease 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 N15-1**.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Table N15-1
Summary of Changes in Claims and Judgments Accrual (\$000s)

	Fiscal Year 2018	Fiscal Year 2017
Liability at October 1	\$ 121,825	\$ 145,974
Add: Claims incurred		
Lawsuits	72,009	21,961
Property tax appeals	27,768	32,038
Less: Claims payments/adjustments		
Lawsuits	(25,940)	(47,040)
Property tax appeals	(42,518)	(31,108)
Liability at September 30	\$ 153,144	\$ 121,825

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.

Table N15-2 presents a summary of changes in the disability compensation accrual.

Table N15-2
Summary of Changes in Disability Compensation Accrual (\$000s)

	Fiscal Year 2018	Fiscal Year 2017
Liability at October 1	\$ 121,186	\$ 130,438
Add: Claims/adjustments	3,240	12,383
Less: Benefit payments	(15,891)	(21,635)
Liability at September 30	\$ 108,535	\$ 121,186

NOTE 16. SUBSEQUENT EVENTS

Washington Convention and Sports Authority

In October 2018, Events DC hosted a grand opening of the Entertainment and Sports Arena (ESA) located in Ward 8's Congress Heights neighborhood, on the St. Elizabeths East Campus. The 118,000 square-foot venue will be a hub for entertainment, sporting events, and much more. The ESA will serve as the practice facility for the National Basketball Association's (NBA's) Washington Wizards and the home court of the Women's National Basketball Association's (WNBA's) Washington Mystics and the NBA's G-League team, the Capital City Go-Go. The approximately 4,200-seat sports complex will be an innovative and unique venue that will provide a much-needed boost to the on-going redevelopment

in Ward 8, spur greater economic opportunities for residents, and help create more pathways to the middle class. While the ESA will be used mainly for basketball, there are plans for the facility to also host concerts, community events, and other sporting events. Construction for the ESA, including demolition of surrounding buildings, began in February 2016. The District and Monumental Sports & Entertainment partnered with Events DC and contributed \$23 million and \$5 million, respectively, towards the construction cost of the ESA. The ESA is anticipated to generate a total of \$90 million in new tax revenues over 20 years, including ticket tax, concessions, and income taxes and is expected to create 300 permanent jobs.