NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2019

(Dollar amounts expressed in thousands unless specifically disclosed)

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT

General Operations

Article 1, Section 8, Clause 17 of the United States Constitution empowered Congress to establish the seat of government for the United States. Pursuant to the cited Constitutional provisions, the District of Columbia (the District) was established as the nation's capital on July 16, 1790, from territory ceded by Maryland and Virginia.

On January 2, 1975, Congress granted the District a Home Rule Charter, which became effective through the enactment of the Home Rule Act. Pursuant to its charter, the District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a Budget Request Act, becomes law unless Congress and the President of the United States disapprove of 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, Washington Convention and Sports Authority, Housing Finance Agency, and University of the District of Columbia. 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 (the Authority or HBX) 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 (t/a Events DC) 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).

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University of the District of Columbia

A financial benefit/burden relationship exists between the University of the District of Columbia (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, NW, Suite 400
Washington, DC 20005
https://hbx.dc.gov

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

Housing Finance Agency
Executive Director
815 Florida Avenue, NW
Washington, DC 20001
https://www.dchfa.org

University of the District of Columbia
President
Van Ness Campus
4200 Connecticut Avenue, NW
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) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

District of Columbia Tobacco Settlement Financing Corporation
Office of the Chief Financial Officer
Office of Finance and Treasury
1101 4th Street, SW, Suite 800 W
Washington, DC 20024

Not-for-Profit Hospital Corporation
d/b/a United Medical Center
Chief Executive Officer
1310 Southern Avenue, SE
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. Condensed financial statements for this joint venture are presented as disclosures in Note 12 on page 140.

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. The fiduciary funds are not incorporated into the government-wide financial statements because the assets of these funds are held for the benefit of a third-party and cannot be used to finance activities or obligations of the District. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 included in program revenues are reported as general revenues. The District also reports depreciation expense (i.e., the cost of "using up" capital assets) in the Statement of Activities.

Fund Financial Statements

Fund accounting is used to demonstrate legal compliance and 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 governmental 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 expenditures 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 are comprised of: (1) five Special Revenue Funds, which include the Tax Increment Financing (TIF) Program, the Tobacco Settlement Financing Corporation (TSFC), the Payment in Lieu of Taxes (PILOT) Fund, the Baseball Project and the Universal Paid Leave Fund; (2) the Debt Service Fund; and (3) one Capital Projects Fund; 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 reports three proprietary funds that are discussed below.

Lottery and Gaming Fund

The Lottery and Games Fund is used to account for revenues from sale of lottery products, charitable gaming fees and other related income. Gaming activities are administered by the Office of Lottery and Gaming, which is an independent agency of the District.

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.

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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 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 postemployment 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, 2018, 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 they will be collected, and capital assets (depreciable and non-depreciable); 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) expenses of the discretely presented component units. The expenses of the governmental activities include governmental fund expenditures that are not eliminated or reclassified for the purpose of government-wide financial reporting, and current year depreciation expense on capital assets. The effect of interfund activities is eliminated from the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 balances 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 fund balance.

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

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

Supplemental Nutrition Assistance Program

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 (i.e., 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 improvements 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 to Congress. Congress then approves the federal portion of the budget through an appropriations act. The Chairman of the Council submits the Local Budget Request Act to 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 55, 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.

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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 on page 53 due to basis differences. Basis Differences arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1X on page 83.

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 Funds or the Special Revenue Funds.

As of September 30, 2019, the District did not have significant amounts in encumbrances in any of the major and nonmajor funds. Encumbered amounts at year-end have been included within the fund balances in **Table N10-1** on page 138.

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 cash equivalents. 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 an original maturity date no greater than 90 days.

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, 2019, the District invested primarily in money market funds containing securities backed by the U.S. government which included obligations of Government Sponsored Enterprises (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 investments.

The District's investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is defined 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

activities and business-type activities are reported in the government-wide financial statements as "Internal Balances." Short-term amounts owed between the primary government and a discretely presented component unit are classified as "Due To/From Primary Government" and "Due To/From Component Units" on the Statement of Net Position.

Transfers are included in the results of operations of both the governmental and proprietary funds. Accordingly, transfers are reported in the "Other Financing Sources/(Uses)" section of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Net Position of the Proprietary Funds.

L. CAPITAL ASSETS

Capital assets, which include buildings, land, equipment, land improvements, and infrastructure (i.e., roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities or component units' columns in the government-wide financial statements and proprietary fund financial statements. All purchased capital assets are stated at cost when historical records are available and at estimated historical cost when no historical records exist.

Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated capital assets are reported at their acquisition value on the date received. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability with the counterparty could be liquidated. The cost of maintenance and repairs that do not add to the productivity 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 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	Estimated 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. DEFERRED OUTFLOWS OF RESOURCES

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

N. CAPITAL LEASES

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

- The lease transfers ownership of the property to the lessee at the end of the lease term.
- The lease contains an option to purchase the leased property at a bargain price.
- The lease term is equal to or greater than 75% of the estimated life of the leased property.
- The present value of 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.

Leased property having elements of operational ownership is recorded in the government-wide and proprietary fund financial statements. The related obligations, in amounts equal to the present value of future minimum lease payments due during the term of the leases, are also recorded in these financial statements.

O. COMPENSATED ABSENCES

Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Annual leave (vacation) may be accumulated up to 240 hours at the end of a calendar year, regardless of the employee's length of service, while there is no limit to the amount of compensatory leave (leave granted to eligible employees in lieu of paid overtime) that may be accumulated.

Recording of Accrual for Accumulated Leave

The District records vacation leave as an expenditure and related liability in the governmental fund financial statements only to the extent that the compensated absences have matured or come due for payment. Accumulated annual leave that has not matured by the end of the current fiscal year is reported in the government-wide financial statements. Accumulated annual leave of the proprietary funds and discretely presented component units is recorded as an expense and liability as the benefits accrue to employees.

The District does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, however, unused sick leave can be used to determine employees' years of service. District employees earn sick leave credits that are considered termination payments at the time of retirement. For instance, one month would be added to the years and months of service of retiring District employees who have accumulated 22 days of sick leave regardless as to whether they participate in the Civil Service Retirement System or the District Retirement Program.

The District estimates the potential sick leave credits (termination payments) at fiscal year-end based on the number of employees who are currently eligible for retirement and sick leave payments upon separation, or who are expected to become eligible in the future to receive such payments.

P. LONG-TERM LIABILITIES

Debt Limits/Limitations on Borrowing

Pursuant to Section 603 of the Home Rule Act, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all general obligation debt to exceed 17% of the total General Fund revenues of the fiscal year in which the debt is issued. The legal debt limitation is calculated annually by dividing maximum annual principal and interest by current year total General Fund revenues.

In addition, consistent with the Limitation on Borrowing 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2019, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- 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 events such as laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.
- 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 the 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.

Implementation of Statement No. 83 had no impact on the District's fiscal year 2019 financial statements. The District expanded on disclosures related to debt, as required by Statement No. 88, by providing additional required information which is presented in Note 7 on pages 113 to 125.

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. 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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.

- Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

  The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, the District's fiscal year 2022.

The District has not determined the impact, if any, that the implementation of Statements No. 84 and 89 through 91 will have on its financial statements. Accordingly, no determination has been made regarding the materiality of impact. The District has determined, however, that Statement No. 87 will have an impact on the way the District reports on its leases. The District has started collecting data, reviewing the lease contracts, and developing a reliable methodology for the implementation.

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

T. NET POSITION AND FUND BALANCE

Net Position

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. Net Position is categorized as follows:

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. Nonexpendable 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.

Fund Balance

Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources equal Fund Balance in the governmental fund statements. 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 Fund Balance

This category includes resources which cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact. As of September 30, 2019, the District's nonspendable fund balance included:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

This portion of the 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

This category includes resources with use constraints which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. As of September 30, 2019, the District's restricted fund balance included:

Emergency and Contingency Cash Reserves

This portion of the 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 nonrecurring, extraordinary needs of an emergency nature. Additional information about the District's emergency and contingency cash reserves is presented in the Minimum Fund Balance Policies section on page 80.

Debt Service – Bond Escrow

This portion of the fund balance represents the portion of investments held in escrow that is available for future debt service obligations or cash requirements.

Budget Reserves

This portion of the fund balance represents unused fiscal year 2019 budget reserve amounts that are restricted for specific purposes and available for such purposes until expended.

Purpose Restrictions

This portion of the 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 Enhancement fund, resources collected for Pepco cost sharing fund (D.C. Plug), and Storm Water Permit compliance activities.

Payment in Lieu of Taxes (PILOT)

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

Tobacco Settlement

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

Housing Production Trust

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

Baseball Special Revenue

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

Universal Paid Leave

This portion of the fund balance represents resources set aside for benefits payment to covered employees of the Paid Family Leave program.

Committed Fund Balance

This category includes 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. The Executive Office of the Mayor and the Council have the highest level of decision-making authority for committed fund balance. The Council must pass legislation to establish, modify, or rescind a commitment of fund balance. As of September 30, 2019, the District's committed fund balance included:

Fiscal Stabilization Reserve

This portion of the fund balance is committed to purposes permitted for use of the Contingency Reserve Fund. Additional information about the District's fiscal stabilization reserve is presented in the Minimum Fund Balance Policies section on page 80.

Cash Flow Reserve

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budget Support Act

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

Dedicated Taxes

This portion of the 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.

Housing Production Trust Fund

This portion of the fund balance, which represents 50% of all uncommitted amounts in the unrestricted fund balance of the General Fund, is to be deposited in the Housing Production Trust Fund, provided that, at the close of a fiscal year, the District has fully funded the Emergency, Contingency, Fiscal Stabilization and Cash Flow Reserves.

Pay-as-you-go Capital Projects

This portion of the fund balance, which represents 50% of all uncommitted amounts in the unrestricted fund balance of the General Fund, is reserved for Pay-as-you-go capital projects, provided that, at the close of a fiscal year, the District has fully funded the Emergency, Contingency, Fiscal Stabilization and Cash Flow Reserves.

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 2020 budget approved by the District Council.

Other Special Purposes

This portion of the fund balance is committed to activities financed by specific sources of revenues as authorized by formal action of the District Council. For example, the Renewable Energy Development Fund, which is administered by the Department of Energy and Environment was established to support the creation of new solar energy sources, including the use of electrical upgrades, structural improvements, the installation of electrical and thermal storage systems, in addition to the implementation of the Renewable Portfolio Standard Expansion Act of 2016.

Assigned Fund Balance

This category includes 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. 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. As of September 30, 2019, the District's assigned fund balance included:

Subsequent Years' Expenditures

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

Unassigned Fund Balance

This category includes 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. As of September 30, 2019, the District's unassigned fund balance included:

Capital Projects

This portion of the fund balance is restricted for the purpose of executing capital projects. The Capital Projects Funds reported a negative unassigned fund balance at September 30, 2019 because expenditures were made in the Capital Projects Funds 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.

Additional information about the District's fund balances is presented in **Table N10-1** on page 138.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Use of Fund Balance

The policy of the District is 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.

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 (TRF), and (2) the District of Columbia Police Officers and Fire Fighters' Retirement Fund (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, *Fair Value Measurement and Application*. Further information regarding the District Retirement Funds is presented in Note 8 on page 126 through 132.

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 §1-626.05, 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 126 through 132.

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 on pages 133 through 137.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds Balance Sheet includes a reconciliation between total fund balances of governmental funds and net position of governmental activities as reported in the government-wide Statement of Net Position. This reconciliation is presented in Exhibit 2-a on page 52.

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 on page 54.

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	$ 476,865	$ 22,229
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	2,033	-
Transfers/Reclassifications	(1,965)	(5,056)
Excess (deficit) of revenues and other sources over (under) expenditures and other uses - GAAP basis	**$ 476,933**	**$ 17,173**

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. As of September 30, 2019, substantially all of the cash deposits in the custody of the District, were insured or collateralized with securities held by the District or by its agent in the District's name, in accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56). As of September 30, 2019, the carrying amount of cash and cash equivalents was $4,397,070 for the primary government, $271,185 for the fiduciary funds, and $320,842 for the component units.

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 permitted investments to direct obligations of the United States and its agencies, money market funds, municipal obligations, federally insured or collateralized 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 2019, 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 government money market funds, U.S. government securities, commercial paper and collateralized certificates of deposit.

Table N2-1 presents the District's cash, cash equivalents and investment balances as of September 30, 2019.

Table N2-1
District's Cash, Cash Equivalents and Investment Balances ($000s)

	Exhibit 1-a			Exhibit 4-a				
	Primary Government	Component Units	Total	Pension/ OPEB Trust Funds	Private-Purpose Trust Fund	Agency Funds	Total	Total Cash, Cash Equivalents and Investment Balances
Cash and cash equivalents	$ 2,282,811	$ 135,732	$ 2,418,543	$ -	$ -	$ -	$ -	$ 2,418,543
Investments	-	231,297	231,297	-	-	-	-	231,297
Cash and cash equivalents (restricted)	2,114,259	185,110	2,299,369	187,668	7,516	76,001	271,185	2,570,554
Investments (restricted)	97,455	572,609	670,064	9,858,006	683,955	-	10,541,961	11,212,025
Total	**$ 4,494,525**	**$ 1,124,748**	**$ 5,619,273**	**$ 10,045,674**	**$ 691,471**	**$ 76,001**	**$ 10,813,146**	**$ 16,432,419**

NOTE 2. CASH AND INVESTMENTS

Table N2-2 presents the District's cash, cash equivalents and investment balances by category as of September 30, 2019.

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

	Primary Government	Fiduciary Funds	Component Units	Total
Cash and cash equivalents balances	$ 4,397,070	$ 271,185	$ 320,842	$ 4,989,097
Investments				
U.S. government securities	1,190	-	197,847	199,037
Commercial paper	40,246	-	-	40,246
Certificates of deposit	35,000	-	37,310	72,310
Mortgage-backed securities	4,987	-	-	4,987
Guaranteed investment contracts	2,147	168,867	-	171,014
Repurchase agreements	11,155	-	32,821	43,976
Exchange traded funds	1,586	-	1,956	3,542
Alternative investments	-	-	3,223	3,223
Commodities	-	40,423	-	40,423
Equity securities	185	5,837,529	37,488	5,875,202
Fixed income securities	-	3,344,766	33,727	3,378,493
Real assets	-	685,113	-	685,113
Private equity	-	465,263	-	465,263
Corporate securities	-	-	49,196	49,196
Investment contracts	-	-	113,578	113,578
Money market funds	959	-	295,563	296,522
Mutual funds	-	-	1,197	1,197
Total investments	97,455	10,541,961	803,906	11,443,322
Total cash, cash equivalents and investment balances	**$ 4,494,525**	**$ 10,813,146**	**$ 1,124,748**	**$ 16,432,419**

District Retirement Funds

The District of Columbia Retirement Board (DCRB) is authorized to manage and control the investments of the District Retirement Funds, which consist of the District of Columbia Teachers' Retirement Fund (TRF) and the District of Columbia Police Officers and Fire Fighters' 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.).

Table N2-3 presents cash, cash equivalents and investment pools held in the control of DCRB as of September 30, 2019 and 2018.

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

	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 76,434	$ 59,334
Investments		
Domestic equity	2,284,339	2,209,272
International equity	2,328,879	2,316,014
Fixed income	2,690,008	2,549,785
Real assets	685,113	693,111
Private equity	465,263	376,053
Total cash, cash equivalents and investments	**$ 8,530,036**	**$ 8,203,569**

NOTE 2. CASH AND INVESTMENTS

Other Postemployment Benefits Fund

During fiscal year 2019, 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, 2019 and 2018.

Table N2-4
OPEB Fund: Cash, Cash Equivalents and Investment Balances ($000s)

	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 111,234	$ 64,918
Investments		
Equities	891,542	917,390
Debt securities	472,439	437,889
Commodities	40,423	45,468
Total cash, cash equivalents and investments	**$ 1,515,638**	**$ 1,465,665**

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 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 credit risk, District policy requires that certain conditions are met for the following investments:

- Commercial paper - The issuing corporation, or its guarantor has a short-term rating of no less than A-1 (or its equivalent) by at least two credit rating agencies.
- Bankers' acceptances - The short-term paper of the issuer is rated not lower than A-1 or the equivalent by a credit rating agency.
- Municipal obligations - They are rated in either of the two highest rating categories by a credit rating agency without regard to gradation.
- Money market mutual funds - The fund is rated AAAm or the equivalent by a credit rating agency.
- 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 in writing by DCRB, fixed income managers invest retirement funds in investment grade instruments rated in the top four rating categories by a recognized statistical rating service.

OPEB Fund

The OPEB Fund investment policy requires that the fixed income portion of the Fund's assets be 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 should be maintained at A or higher. For portfolios that were not individually managed as of September 30, 2019, the credit quality was on par with the index value of "BBB-" or higher.

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 deposits in fiscal year 2019 were collateralized or insured. Collateral for deposits is held in the District's name by the Federal Reserve and the Bank of New York in a custodial account.

NOTE 2. CASH AND INVESTMENTS

District Retirement Funds

The District Retirement Funds had custodial credit risk exposure totaling $2,739 as of September 30, 2019. 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 instruments 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.

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, 2019, the District was in compliance with this policy.

District Retirement Funds

DCRB's investment guidelines generally 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, 2019, DCRB was in compliance with this policy.

OPEB Fund

The OPEB Fund has no significant concentrations of exposure to credit risk that has not been reduced by collateral and other off-sets. 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)

The District's investment policy limits the District's portfolio to specific maturities as a means of limiting its exposure to fair value losses resulting from rising interest rates. **Table N2-5** presents the District's authorized investments and maturity limits as detailed in the District's investment policy.

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 through a process that focuses on the review of investment managers and fund returns. Those managers are

NOTE 2. CASH AND INVESTMENTS

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.

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, 2019, 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. Since 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 2019, 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	Private Equity
Canadian dollar	$ 18,057
British sterling	13,808
Euro	40,961
Total foreign currency	**$ 72,826**

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's Investments Denominated in Foreign Currency ($000s)

International securities	Short-Term and Cash	Convertible and Fixed Income	Total
Australian dollar	$ (18)	$ -	$ (18)
Brazilian real	(11)	-	(11)
British pound sterling	(172)	11,131	10,959
Canadian dollar	(14)	12,300	12,286
Chilean peso	34	-	34
Euro	799	51,665	52,464
Indian rupee	(17)	-	(17)
Indonesian rupiah	34	985	1,019
Japanese yen	123	31,258	31,381
Malaysian ringgit	207	4,540	4,747
Mexican peso	(81)	1,576	1,495
New Israeli shekel	(21)	-	(21)
New Zealand dollar	20	-	20
Norwegian krone	(122)	-	(122)
Polish zloty	88	-	88
Russian ruble	44	1,911	1,955
Singapore dollar	25	1,272	1,297
South African rand	9	377	386
Swedish krona	96	3,642	3,738
Total international securities	**$ 1,023**	**$ 120,657**	**$ 121,680**

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 GAAP. A three-level valuation hierarchy, based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, was established by GAAP for disclosure of fair value measurements.

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)

Table N2-8 presents the District's investments measured at fair value as of September 30, 2019.

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

		Fair Value Measurement Using		
	September 30, 2019	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				
U.S. equity securities	$ 185	$ 185	$ -	$ -
Exchange-traded funds				
U.S. government bond fund	269	269	-	-
International equity funds	332	332	-	-
U.S. equity funds	388	388	-	-
Corporate bond funds	420	420	-	-
High yield bond funds	120	120	-	-
Commodity funds	57	57	-	-
Total exchange-traded funds	1,586	1,586	-	-
Non exchange-traded funds				
Mortgage-backed securities	4,987	-	4,987	-
Repurchase agreements	11,155	-	11,155	-
Guaranteed investment contracts	2,147	-	-	2,147
Total non exchange-traded funds	18,289	-	16,142	2,147
Total investments measured at fair value	**$ 20,060**	**$ 1,771**	**$ 16,142**	**$ 2,147**

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.**

Exchange-Traded Funds

An exchange-traded fund (ETF) 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 both at the end of trading day NAV per share or Intraday Value (market price), that fluctuates throughout the trading day. An ETF's market price is generally maintained close to the ETF's end-of-day NAV because of the arbitrage function inherent to the structure of the ETF. The basket of assets that are traded like an index fund are classified as Level 1 in the fair value hierarchy.

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 the 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, 2019.

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

		Fair Value Measurement Using		
	September 30, 2019	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	$ 288,973	$ 278,237	$ 10,736	$ -
International equity	206,937	206,937	-	-
Fixed income	623,222	-	623,222	-
Real assets	421,396	-	-	421,396
Private equity	465,263	-	-	465,263
Total investments by fair value level	2,005,791	$ 485,174	$ 633,958	$ 886,659
Investments measured at the net asset value (NAV)				
Domestic equity	1,995,366			
International equity	2,121,942			
Fixed income	2,066,786			
Real assets	263,717			
Total investments measured at the net asset value (NAV)	6,447,811			
Total investments measured at fair value	**$ 8,453,602**			

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 domestic equity securities that are valued at prices provided by independent pricing vendors are classified in Level 2 of the fair value hierarchy. Private equity securities classified in Level 3 of the fair value hierarchy are valued with last trade data having limited trading volume.

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.

NOTE 2. CASH AND INVESTMENTS

Real Assets

Real assets classified in Level 3 of the fair value hierarchy are real estate investments generally valued using the income approach by internal manager reviews or independent external appraisers.

Table N2-10 presents additional information about the nature of investments measured at the net asset value per share.

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

	September 30, 2019	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
Domestic equity	$ 1,995,366	$ -	Daily	None
International equity	2,121,942	-	3 times per month, monthly	2-5 days
Fixed income	2,066,786	-	Daily, monthly	3-30 days
Real assets	263,717	365,899	None	N/A
Total investments measured at the NAV	**$ 6,447,811**	**$ 365,899**		

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

DCRB has made commitments to purchase partnership interests in real asset funds as part of its long-term asset allocation plan for private markets. The unfunded commitments totaled $365,899, as of September 30, 2019, as presented in **Table N2-10**. This represents global investments in 39 real asset 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, 2019, in accordance with GASB Statement No. 72 valuation hierarchy.

NOTE 2. CASH AND INVESTMENTS

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

		Fair Value Measurement Using		
	September 30, 2019	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	$ 117,984	$ 117,984	$ -	$ -
Consumer retail	105,643	105,643	-	-
Information technology	105,130	105,130	-	-
Financial institutions	78,336	78,336	-	-
Healthcare	94,863	94,863	-	-
International equities (by Industry)				
Industrials	4,660	4,660	-	-
Consumer retail	21,847	21,847	-	-
Financial institutions	2,521	2,521	-	-
Healthcare	4,445	4,445	-	-
Real estate investment trust securities	20,514	20,514	-	-
Total equity securities	555,943	555,943	-	-
Debt securities				
U.S. government issues	94,071	-	94,071	-
Corporate bonds	63,706	-	63,706	-
Mortgage-backed securities	184	-	184	-
Credit card/automotive receivables	11,441	-	11,441	-
U.S. state and local government bonds	6,523	-	6,523	-
Mutual funds	33,012	33,012	-	-
International debt securities				
Government issues	93,025	-	83,702	9,323
Corporate bonds	41,932	-	41,932	-
Credit card/automotive receivables	255	-	255	-
Other government bonds	4,895	-	4,895	-
Total debt securities	349,044	33,012	306,709	9,323
Commodity investments				
Gresham commodities fund	40,423	-	-	40,423
Total commodity investments	40,423	-	-	40,423
Total investments by fair value level	**945,410**	**$ 588,955**	**$ 306,709**	**$ 49,746**
Investments measured at the Net Asset Value (NAV)				
SSgA emerging market index fund	$ 93,939			
SSgA Russell 2000 index fund	84,997			
SSgA U.S. aggregate bond index fund	88,483			
Baillie Gifford international growth equity	86,387			
Artisan international value equity	70,276			
BlueBay emerging market bond	34,912			
Total investments measured at the NAV	458,994			
Total investments measured at fair value	**$ 1,404,404**			
Investment derivative instruments				
Interest rate swaps	$ 64	$ -	$ 64	$ -
Credit defaults swaps	(630)	-	(630)	-
Foreign exchange forwards	(538)	-	(538)	-
Total investment derivative instruments	**$ (1,104)**	**$ -**	**$ (1,104)**	**$ -**

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.

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. International government issues include structured debt which are valued using inflation adjusted mid evaluation and are classified as Level 3 in the fair value hierarchy. 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 two types of off-balance sheet derivative financial instruments outstanding: swaps and currency forwards. 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. **Table N2-12** presents additional information about the nature of investments measured at the net asset value per share.

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

	September 30, 2019	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
SSgA emerging market index fund	$ 93,939	$ -	Monthly	5 days
SSgA Russell 2000 index fund	84,997	-	Daily	N/A
SSgA U.S. aggregate bond index fund	88,483	-	Daily	N/A
Baillie Gifford international growth equity	86,387	-	Monthly	5 days
Artisan international value equity	70,276	-	Monthly	5 days
BlueBay emerging market bond	34,912	-	Monthly	30 days
Total investments measured at the NAV	**$ 458,994**	**$ -**		

NOTE 2. CASH AND INVESTMENTS

SSgA Emerging Market Index Fund

This 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

This 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 include purchasing 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

This 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

This 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 avoid 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, 2019, 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, 2019 ($000s)

	Changes in Fair Value		Fair Value at September 30, 2019		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2004B Swap	Deferred outflows	$ 18	Swap	$ (162)	$ 9,460
2007 AWC Swap	Deferred outflows	283	Swap	(1,240)	28,945
2016C (formerly Series 2002-2008C, then 2014B) Swap*	Deferred outflows	(6,930)	Swap	(26,258)	224,300
Derivative instrument liabilities, at end of year				**$ (27,660)**	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment revenue	$ 20	Swap	$ 379	$ 118,040
Derivative instrument assets, at end of year				**$ 379**	

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 non-performance 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 were 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, 2019, along with the credit rating of the associated counterparty.

NOTE 2. CASH AND INVESTMENTS

Table N2-14
Objectives and Terms: District's Hedging Derivative Instruments Outstanding as of September 30, 2019 ($000s)

Type	Objectives	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps						
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) plus 1.81%	A2/A-/AA-
2007 AWC Swap	Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds	28,945	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-
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
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	118,040	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	Aa2/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, 2019, were as presented in **Table N2-14**.

As of September 30, 2019, the District was not exposed to credit risk because each of the hedging derivative instruments had a negative mark-to-market value, all totaling $27,660. 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 the LIBOR or the SIFMA swap index decreases, the District's net payment on its pay-fixed receive variable interest rate swaps increases.

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, 2019, the notional amount of the 2001C/D Swap was $118,040. The District pays the counterparty 67% of LIBOR, and the counterparty pays the District a variable rate as a percentage of the actual LIBOR

NOTE 2. CASH AND INVESTMENTS

reset each month. The original swap agreement was executed on December 6, 2001, and the District entered into an enhanced swap agreement on June 2, 2003. The 2001C/D swap matures in June 2029. As of September 30, 2019, this interest rate swap had a fair value of $379.

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, 2019, 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 Global Ratings; 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 with 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 2019.

District of Columbia Fiduciary Funds

District Retirement Funds' Derivatives

The District Retirement Funds, in accordance with the policies of the District of Columbia Retirement Board (DCRB) and through the District Retirement Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses.

The District Retirement Funds may also hold derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. **Table N2-15** presents a list of the District Retirement Fund's derivatives as of September 30, 2019.

Additional information regarding the District Retirement Funds' 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, NW
Washington, DC 20001
Website: https://dcrb.dc.gov

Table N2-15
District Retirement Funds' Derivatives ($000s)

Type of Derivative	Market Value at September 30, 2019
Equity index futures	$ 10,582
Fixed income - convertible bonds	2
Fixed income futures	2
Synthetic equity swaps	235
Warrants	2,031
Swaps	25,714
Total	**$ 38,566**

NOTE 2. CASH AND INVESTMENTS

Other Postemployment Benefits Fund's Derivatives

In accordance with the 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 2019, the OPEB Fund invested directly in forward currency contracts.

As of September 30, 2019, OPEB had two types of off-balance sheet derivative financial instruments outstanding: swaps, and currency 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 affect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies, against fluctuations in the exchange rates of those currencies; or to gain exposure to the change in market value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

All of OPEB's derivative instruments include provisions that require OPEB to post collateral in the event that 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 of 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 had an "AA+" and "Aaa" credit ratings issued by Standard & Poor's and Moody's Investors Services, respectively; therefore, no collateral had been required to be posted as of September 30, 2019. The net unrealized loss on foreign currency spot and forward contracts for the year ended September 30, 2019, was $537. **Table N2-16** presents a list of the OPEB Fund's derivatives aggregated by type as of September 30, 2019.

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, SW, Suite 850W
Washington, DC 20024

Table N2-16
OPEB Fund's Derivative Investments Aggregated by Type ($000s)

	Changes in Fair Value		Fair Value at September 30, 2019		
Type of Derivative	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Credit default swaps bought	Investment revenue	$ (44)	Swaps	$ 43	$ 709
Credit default swaps written	Investment revenue	217	Swaps	(673)	1,515
Fixed income futures long	Investment revenue	989	Futures	-	52,077
Fixed income futures short	Investment revenue	121	Futures	-	(33,542)
Foreign exchange forwards	Investment revenue	(3,405)	Forwards	(538)	150,442
Pay fixed interest rate swaps	Investment revenue	(57)	Swaps	153	1,515
Receive fixed interest rate swaps	Investment revenue	(89)	Swaps	(89)	73,250
Total		**$ (2,268)**		**$ (1,104)**	

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 2019, the District Retirement Funds did not participate in any security lending transactions.

NOTE 3. RESTRICTED ASSETS

As of September 30, 2019, restricted assets of the primary government, component units, and fiduciary funds totaled $13,782,579. **Table N3-1** presents a summary of the District's restricted assets as of September 30, 2019.

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

	Governmental Funds/Governmental Activities					
	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Funds	Total
Bond escrow accounts	$ 530,117	$ -	$ -	$ -	$ -	$ 530,117
Capital projects	-	-	-	30,136	48,070	78,206
Emergency cash reserves	149,262	-	-	-	-	149,262
Contingency cash reserves	298,525	-	-	-	-	298,525
Other	55,436	111,397	132,814	-	330,764	630,411
Total	**$ 1,033,340**	**$ 111,397**	**$ 132,814**	**$ 30,136**	**$ 378,834**	**$ 1,686,521**

	Proprietary Funds/Business-Type Activities				
	Office of Lottery and Gaming	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond escrow accounts	$ -	$ -	$ -	$ -	$ 251,585
Unpaid prizes	1,190	-	1,190	-	-
University endowment	-	-	-	-	30,317
Benefits	-	524,003	524,003	10,813,146	-
Purpose restrictions	-	-	-	-	475,817
Total	**$ 1,190**	**$ 524,003**	**$ 525,193**	**$ 10,813,146**	**$ 757,719**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. **Table N4-1** presents the District's receivables categorized in various funds as of September 30, 2019.

Table N4-1
Receivables ($000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Office of Lottery and Gaming	Unemployment Compensation	Not-for-Profit Hospital Corporation	Fiduciary Funds
Gross Receivables									
Taxes	$ 496,453	$ -	$ -	$ -	$ 3,972	$ -	$ -	$ -	$ -
Accounts and other	1,151,123	7,409	252	7,525	33,081	3,858	39,453	27,638	25,213
Federal	53	454,580	-	114,392	-	-	698	-	24,639
Total gross receivables	1,647,629	461,989	252	121,917	37,053	3,858	40,151	27,638	49,852
Less: allowance for doubtful accounts	777,882	-	-	6,870	-	-	25,810	9,343	-
Total net receivables	**$ 869,747**	**$ 461,989**	**$ 252**	**$ 115,047**	**$ 37,053**	**$ 3,858**	**$ 14,341**	**$ 18,295**	**$ 49,852**

B. INTERFUND TRANSFERS

All interfund transfers are eliminated in the government-wide financial statements except transfers between the proprietary funds (Office of Lottery and Gaming and the Not-for-Profit Hospital Corporation) and the General Fund, which are reported on the Statement of Activities. **Table N4-2** presents a summary of interfund transfers for the fiscal year ended September 30, 2019.

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

	Transfer To (In)						
Transfer From (Out)	**General**	**Housing Production Trust**	**General Capital Improvements**	**Nonmajor Governmental Funds**	**Total Governmental Funds**	**Not-for-Profit Hospital Corporation**	**Total**
General Fund							
Motor fuel taxes dedicated to the Highway Trust Fund	$ -	$ -	$ -	$ 27,935	$ 27,935	$ -	$ 27,935
Right of way dedicated to the Highway Trust Fund	-	-	-	2,750	2,750	-	2,750
PAYGO - Projects financed by the General Fund	-	-	67,599	-	67,599	-	67,599
Capital Improvements Fund	-	-	82,694	-	82,694	-	82,694
Funds for housing projects and services	-	36,151	-	-	36,151	-	36,151
Operating subsidies	-	-	-	-	-	34,261	34,261
Total General Fund	**-**	**36,151**	**150,293**	**30,685**	**217,129**	**34,261**	**251,390**
Federal & Private Resources							
Revenues generated from indirect cost recovery	500	-	-	-	500	-	500
Total Federal and Private Resources	**500**	**-**	**-**	**-**	**500**	**-**	**500**
General Capital Improvements							
Unspent Capital PAYGO transferred back to the General Fund	19,394	-	-	-	19,394	-	19,394
Capital subsidies	-	-	-	-	-	2,049	2,049
Capital transfer-new community initiative	22,694	-	-	-	22,694	-	22,694
Total General Capital Improvements	**42,088**	**-**	**-**	**-**	**42,088**	**2,049**	**44,137**
Nonmajor Governmental Funds							
Excess collections above PILOT debt service requirements	447	-	-	-	447	-	447
Excess collections above TIF debt service requirements	9,469	-	-	-	9,469	-	9,469
Funds for baseball debt service payments	-	-	-	70,476	70,476	-	70,476
Total Nonmajor Governmental Funds	**9,916**	**-**	**-**	**70,476**	**80,392**	**-**	**80,392**
Total Governmental Funds	**52,504**	**36,151**	**150,293**	**101,161**	**340,109**	**36,310**	**376,419**
Office of Lottery and Gaming	45,050	-	-	-	45,050	-	45,050
Total Interfund Transfers	**$ 97,554**	**$ 36,151**	**$ 150,293**	**$ 101,161**	**$ 385,159**	**$ 36,310**	**$ 421,469**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Table N4-3 presents due to/due from and interfund receivable and payable balances for each fund and individual component unit as of September 30, 2019. 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)

	Primary Government / Component Units		Interfund	
	Receivables	**Payables**	**Receivables**	**Payables**
Major funds				
General	$ 3,399	$ 19,188	$ 468,830	$ 35,157
Federal & private resources	-	1,834	16,181	206,809
Housing production trust	-	-	9,874	-
General capital improvements	-	1,704	-	249,679
Nonmajor funds				
Tax increment financing	1,000	4,888	7,864	1,000
PILOT special revenue	-	-	4,120	-
Baseball special revenue	665	-	1,684	-
Proprietary funds				
Unemployment compensation	-	-	455	16,488
Not-for-Profit Hospital Corporation	309	-	139	-
Office of lottery and gaming	-	-	-	14
Component unit				
Health Benefit Exchange Authority	83	663	-	-
Washington Convention and Sports Authority	21,260	3,940	-	-
Housing Finance Agency	3,307	-	-	-
University of the District of Columbia	2,964	770	-	-
Total	**$ 32,987**	**$ 32,987**	**$ 509,147**	**$ 509,147**

Note:
The above balances represent the impact of transactions among the funds and component units, which will be settled during fiscal year 2020.

NOTE 5. CAPITAL ASSETS

A. CAPITAL OUTLAYS

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled $1,420,756 during the fiscal year ended September 30, 2019. 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.

B. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY CLASS

Table N5-1 presents the changes in 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, 2018	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2019
Non-depreciable						
Land	$ 963,690	$ 593	$ -	$ (248)	$ 374	$ 964,409
Construction in progress	1,394,490	1,216,025	-	-	(934,172)	1,676,343
Total non-depreciable	2,358,180	1,216,618	-	(248)	(933,798)	2,640,752
Depreciable						
Infrastructure	6,707,178	-	-	-	328,455	7,035,633
Buildings	9,581,754	-	-	-	479,433	10,061,187
Equipment	1,848,466	19,269	-	(64,589)	125,910	1,929,056
Total depreciable	18,137,398	19,269	-	(64,589)	933,798	19,025,876
Less accumulated depreciation for:						
Infrastructure	(2,992,770)	(178,392)	-	-	-	(3,171,162)
Buildings	(2,301,699)	(191,921)	-	-	-	(2,493,620)
Equipment	(1,438,449)	(88,696)	-	59,738	-	(1,467,407)
Total accumulated depreciation	(6,732,918)	(459,009)	-	59,738	-	(7,132,189)
Total depreciable, net	11,404,480	(439,740)	-	(4,851)	933,798	11,893,687
Net governmental activities capital assets	**$ 13,762,660**	**$ 776,878**	**$ -**	**$ (5,099)**	**$ -**	**$ 14,534,439**

C. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY FUNCTION

Table N5-2 presents the changes in 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, 2018	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2019
Governmental direction and support	$ 2,911,169	$ 2,459	$ -	$ (499)	$ 90,381	$ 3,003,510
Economic development and regulation	635,741	2,140	-	(1,167)	13,580	650,294
Public safety and justice	1,252,521	9,375	52	(52,423)	36,547	1,246,072
Public education system	5,205,318	4,597	-	(4,618)	365,902	5,571,199
Human support services	1,548,539	793	-	(3,348)	87,409	1,633,393
Public works	7,547,800	498	(52)	(2,782)	340,353	7,885,817
Construction in progress	1,394,490	1,216,025	-	-	(934,172)	1,676,343
Total	**$ 20,495,578**	**$ 1,235,887**	**$ -**	**$ (64,837)**	**$ -**	**$ 21,666,628**

NOTE 5. CAPITAL ASSETS

D. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

Table N5-3 presents the changes in governmental activities' capital assets accumulated depreciation by function for the primary government.

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

Function	Balance October 1, 2018	Additions	Transfers	Dispositions	Balance September 30, 2019
Governmental direction and support	$ 1,241,590	$ 50,686	$ -	$ (469)	$ 1,291,807
Economic development and regulation	62,679	7,938	-	(779)	69,838
Public safety and justice	568,254	43,034	2	(48,070)	563,220
Public education system	1,072,784	113,822	-	(4,468)	1,182,138
Human support services	429,998	41,392	-	(3,203)	468,187
Public works	3,357,613	202,137	(2)	(2,749)	3,556,999
Total	**$ 6,732,918**	**$ 459,009**	**$ -**	**$ (59,738)**	**$ 7,132,189**

E. BUSINESS-TYPE ACTIVITIES: CAPITAL ASSETS

Table N5-4 presents the changes in Business-type activities' capital assets by class for the primary government.

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

Asset Class	Balance October 1, 2018	Additions	Transfers/ Dispositions	Balance September 30, 2019
Non-depreciable				
Land	$ 8,100	$ -	$ -	$ 8,100
Construction in progress	417	423	-	840
Total non-depreciable	8,517	423	-	8,940
Depreciable				
Buildings and improvements	75,172	2,429	-	77,601
Equipment	53,045	5,146	-	58,191
Total depreciable	128,217	7,575	-	135,792
Less accumulated depreciation for:				
Buildings and improvements	(25,804)	(5,754)	-	(31,558)
Equipment	(38,461)	(5,864)	-	(44,325)
Total accumulated depreciation	(64,265)	(11,618)	-	(75,883)
Total depreciable, net	63,952	(4,043)	-	59,909
Net capital assets	**$ 72,469**	**$ (3,620)**	**$ -**	**$ 68,849**

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Table N5-5 presents the changes in governmental activities' capital assets construction in progress by function and sub-function for the primary government.

Table N5-5
Changes in Construction in Progress by Function ($000s)

Function and Sub-function	Balance October 1, 2018	Additions/ Adjustments	CIP Transfers/ Dispositions	Balance September 30, 2019
Primary government				
Governmental direction and support				
Finance	$ 50,430	$ 8,631	$ (55,618)	$ 3,443
Legislative	3,611	1,870	(313)	5,168
Administrative	60,331	37,502	(34,010)	63,823
Executive	997	-	(512)	485
Total	115,369	48,003	(90,453)	72,919
Economic development and regulation				
Community development	114,739	34,510	(8,907)	140,342
Economic regulation	1,304	721	-	2,025
Employment services	-	4,673	(4,673)	-
Total	116,043	39,904	(13,580)	142,367
Public safety and justice				
Police	7,729	12,321	(11,599)	8,451
Fire	3,909	23,160	(23,379)	3,690
Corrections	764	3,524	(1,569)	2,719
Total	12,402	39,005	(36,547)	14,860
Public education system				
Schools	147,170	385,362	(363,487)	169,045
Culture	84,864	74,279	(2,136)	157,007
Total	232,034	459,641	(365,623)	326,052
Human support services				
Health and welfare	103,142	112,721	(68,019)	147,844
Recreation	41,640	45,556	(19,390)	67,806
Human relations	72	485	(207)	350
Total	144,854	158,762	(87,616)	216,000
Public works				
Environmental	773,788	470,710	(340,353)	904,145
Total	773,788	470,710	(340,353)	904,145
Total Construction in Progress	**$ 1,394,490**	**$ 1,216,025**	**$ (934,172)**	**$ 1,676,343**

NOTE 5. CAPITAL ASSETS

G. DISCRETELY PRESENTED COMPONENT UNITS: CAPITAL ASSETS

Table N5-6 presents the changes in discretely presented component units' capital assets by class and **Table N5-7** presents the changes in those assets and the related accumulated depreciation by entity.

Table N5-6
Changes in Capital Assets by Asset Class: Discretely Presented Component Units ($000s)

Asset Class	Balance October 1, 2018	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2019
Non-depreciable					
Land	$ 12,814	$ -	$ -	$ -	$ 12,814
Artwork	3,183	39	-	-	3,222
Construction in progress	78,108	13,873	(9)	(76,354)	15,618
Total non-depreciable	94,105	13,912	(9)	(76,354)	31,654
Depreciable					
Buildings and improvements	1,279,745	46,977	-	73,485	1,400,207
Equipment	191,787	13,143	(1,550)	2,869	206,249
Total depreciable	1,471,532	60,120	(1,550)	76,354	1,606,456
Less accumulated depreciation for:					
Buildings and improvements	(628,907)	(45,549)	-	-	(674,456)
Equipment	(85,424)	(18,514)	1,661	-	(102,277)
Total accumulated depreciation	(714,331)	(64,063)	1,661	-	(776,733)
Total depreciable, net	757,201	(3,943)	111	76,354	829,723
Net capital assets	**$ 851,306**	**$ 9,969**	**$ 102**	**$ -**	**$ 861,377**

NOTE 5. CAPITAL ASSETS

Table N5-7
Changes in Capital Assets and Accumulated Depreciation: Discretely Presented Component Units ($000s)

	Capital Assets				Accumulated Depreciation				Net Capital Assets			
Component Units	**Balance October 1, 2018**	**Additions**	**Transfers/ Dispositions**	**Balance September 30, 2019**	**Balance October 1, 2018**	**Additions**	**Transfers/ Dispositions**	**Balance September 30, 2019**	**Balance October 1, 2018**	**Additions**	**Transfers/ Dispositions**	**Balance September 30, 2019**
University of the District of Columbia	$ 359,663	$ 15,528	$ (880)	$ 374,311	$ (148,910)	$ (13,609)	$ 871	$ (161,648)	$ 210,753	$ 1,919	$ (9)	$ 212,663
Washington Convention and Sports Authority	1,076,613	57,197	-	1,133,810	(522,113)	(37,828)	-	(559,941)	554,500	19,369	-	573,869
Health Benefit Exchange Authority	121,848	1,051	-	122,899	(38,348)	(12,281)	-	(50,629)	83,500	(11,230)	-	72,270
Housing Finance Agency	7,513	256	(679)	7,090	(4,960)	(345)	790	(4,515)	2,553	(89)	111	2,575
Total	**$ 1,565,637**	**$ 74,032**	**$ (1,559)**	**$ 1,638,110**	**$ (714,331)**	**$ (64,063)**	**$ 1,661**	**$ (776,733)**	**$ 851,306**	**$ 9,969**	**$ 102**	**$ 861,377**

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

This section discloses financing programs where 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, 2019, the aggregate outstanding principal amount for these conduit debt obligations was approximately $5,579,724. Such amounts are not reflected as liabilities of the District in the accompanying government-wide Statement of Net Position as of September 30, 2019.

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, 2019, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $25,783. Such amounts are not reflected as liabilities of the District in the accompanying government-wide Statement of Net Position as of September 30, 2019.

C. TAX INCREMENT FINANCING 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 generated 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, 2019.

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 was executed in February 2011 in the amount of $4,985. The interest rate on the Note is 6.00%, with a maturity date of February 1, 2021.

Table N6-1 presents the original loan amount of the Downtown Retail Priority Area TIF Note which remained outstanding as of September 30, 2019.

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

Issuance Date	Description	Amount	Terms
February 2011	Forever 21 TIF Note	$ 4,985	Maturity date: February 1, 2021; interest rate: 6.00%

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Capital One Arena

In December 2007, the District issued $50,000 in taxable financing notes to finance upgrades at the Capital One Arena (formerly 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 insufficient, 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.

D. PAYMENT IN LIEU OF TAXES REVENUE NOTES

The District issues Payment in Lieu of Taxes (PILOT) 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.)), 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, 2019.

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 generated 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, previous shortfalls remain obligations which the District would pay to the development sponsor, without any penalty interest or premium thereon, when the PILOT revenues become sufficient.

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

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

Issuance Date	Description	Amount	Terms
August 2010	Foundry Lofts Project, Series 2010	$ 5,660	Maturity date: January 1, 2038; interest rate: 5.16%
August 2011	Rhode Island Metro Plaza Project, Series 2010	7,200	Maturity date: September 30, 2032; interest rate: 5.78%

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

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 99 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 finance 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 approximately $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, 2019, the monthly installments were $292. The installment will increase to $349 in June 2020.
- 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, 2019, the monthly installment was $216. This installment increased to $222 on October 1, 2019.

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, 2019, the total outstanding guaranteed amount under credit enhancement facility agreements was $6,080.

In the event that a public charter school defaults on the 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 2019, 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, 2019, no liability had been recorded in connection with these agreements.

Table N6-3 presents additional information regarding the OSSE nonexchange financial 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, 2019
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
Breakthrough 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	**$ 6,080**

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Incremental Tax Revenue from Downtown TIF Area

The District secures 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 downtown TIF Area projects and their estimated future outflows as of September 30, 2019, under each TIF.

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

Project	Type of Financing	Issuance Date	Maturity Date		Amount		Estimated Future Outflows at September 30, 2019*
Capital One Arena	TIF Note	December 2007	8/15/2047	$	50,000	$	3,481
Howard Theatre	TIF Note	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, renovation, start-up; leasehold improvements and refinancing costs; 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% 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 2019, 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, 2019, no liability had been recorded in connection with these cash collateral deposit agreements. As of September 30, 2019, the total outstanding guaranteed amount under the cash collateral agreements by DCCSP was $4,011.

Table N6-5 presents additional information regarding DCCSP guarantees.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

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

Borrower	Type of Financing	Guarantee Amount	Effective Date	Lender	Termination/ Maturity Date	Outstanding Amount at September 30, 2019
Brougton Construction Company, LLC	Line of credit	$ 750	4/1/2013	Industrial Bank	8/6/2022	$ 630
Forney Enterprises, Inc.	Line of credit	500	4/15/2013	Industrial Bank	12/31/2019	474
Baked by Yael, LLC	Term loan	188	9/15/2014	Revere Bank	6/15/2025	134
Big City Foods III, LLC	Term loan	120	9/24/2014	Industrial Bank	Ongoing	33
Joon Hokim, Inc.	Term loan	139	9/29/2014	Premara Bank	1/6/2020	134
Ivy and Coney, LLC	Term loan	100	4/15/2015	Revere Bank	4/15/2020	47
Elite Physical Therapy & Wellness Center, Inc.	Term loan and line of credit	61	4/27/2015	Industrial Bank	6/1/2020	27
Baked by Yael, LLC	Term loan	25	6/8/2015	Revere Bank	6/8/2025	21
First Choice Masonry, Inc.	Line of credit	982	8/13/2015	United Bank	10/31/2019	982
Union Kitchen, LLC	Line of credit	75	10/23/2015	Revere Bank	6/1/2020	50
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	8/31/2020	832
SwatchRoom, LLC	Line of credit	150	6/20/2016	Colombo Bank	6/1/2020	150
Union Kitchen, LLC	Line of credit	275	6/22/2016	Revere Bank	6/22/2023	245
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	69
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	7/1/2020	75
Somewhere International, LLC	Term loan	25	3/7/2019	Latino Economic Development Corporation	3/10/2024	25
				Total outstanding guaranteed amount		**$ 4,011**

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, 2019.

Table N7-1
Summary of Long-Term Liabilities Outstanding as of September 30, 2019 ($000s)

GOVERNMENTAL ACTIVITIES	Outstanding
General obligation (GO) bonds	
Publicly offered:	
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%	$ 19,580
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%	395
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%	56,905
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%	58,125
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%	373,910
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%	379,055
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, 2033; interest rates ranging from 1.00% to 5.00%	91,210
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%	486,910
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%	420,140
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%	398,810
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%	168,570
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%	563,420
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 improvements 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 improvements 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 costs and expenses of issuing and delivering the Bonds; final maturity date: June 1, 2033; interest rates ranging from 3.00% to 5.00%	281,535

NOTE 7. LONG-TERM LIABILITIES

Series 2019A, issued on February 21, 2019, in the amount of $937,775, to finance capital expenditures under the District's capital improvements plan, refund the District's outstanding General Obligation Bond Anticipation Notes, Series 2018, and pay the costs and expenses of issuing and delivering the Series 2019A Bonds; final maturity date: October 15, 2044; interest rates ranging from 4.00% to 5.00%		937,775
Total publicly offered		**5,037,300**
Direct placements:		
Series 2016B, issued on November 18, 2016, with Bank of America, N.A., in the amount of $190,145, 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)		176,080
Series 2016C, issued on November 18, 2016, with Bank of America, N.A., 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)		224,300
Series 2017B, issued on November 21, 2017, with RBC Municipal Products, LLC, in the amount of $100,000, 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, 2042; interest rates: variable equal to an Adjusted SIFMA Rate (1.58% as of September 30, 2019)		100,000
Series 2017C, issued on November 21, 2017, with RBC Municipal Products, LLC, in the amount of $99,935, to refund the District's Income Tax Secured Revenue Refunding Bonds, Series 2011E and Series 2014B; final maturity date: June 1, 2033; interest rates: variable equal to an Adjusted SIFMA Rate (1.58% as of September 30, 2019)		74,135
Total direct placements		**574,515**
Total general obligation bonds	**$**	**5,611,815**
Qualified zone academy bonds (QZAB) - Direct Placements		
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)	$	355
Qualified Zone Academy Bonds, issued on June 30, 2010, in the amount of $4,143, for traditional public and public charter schools; final maturity date: December 1, 2024 (non-interest bearing)		1,657
Total direct placements	**$**	**2,012**
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%	$	378,655
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%		219,980
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%		83,660
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%		479,320
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%		641,840
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%		110,635
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%		333,780
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%		231,685
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/Carrollsburg Public Improvement Issue); final maturity date: December 1, 2037; interest rates ranging from 2.00% to 5.00%		663,235
Series 2014A, issued on September 10, 2014, in the amount of $155,665, to current refund the District's Certificates of Participation, Series 2003 and to advance refund the District's Certificates of Participation, Series 2006, and pay the costs and expenses of issuing and delivering the Bonds; final maturity date: December 1, 2025; interest rates ranging from 1.00% to 5.00%		98,875
Total income tax secured revenue bonds	**$**	**3,617,225**

NOTE 7. LONG-TERM LIABILITIES

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%	$ 290,380
Series 2006, issued on August 30, 2006, in the amount of $248,264, to pay the cash portion of the purchase price for the Residual Tobacco Assets, and pay certain costs of issuing the Bonds; final maturity date: June 15, 2055; interest rates ranging from 6.25% to 7.25%	248,264
Total tobacco settlement asset-backed bonds	**$ 538,644**
Tax increment financing (TIF) bonds	
Publicly offered:	
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%	$ 8,682
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%	37,330
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%	38,210
Total publicly offered	**84,222**
Direct placements:	
Skyland Town Center Project, Series 2018, issued on May 31, 2018, with Capital One Public Funding, LLC, in the amount of $17,400, to reimburse Skyland Holdings, LLC and Skyland Associates, Inc. for eligible development costs associated with the phased development of Skyland Town Center; final maturity date: December 1, 2038; interest rate: 3.94%	17,400
Total direct placements	**17,400**
Total tax increment financing (TIF) bonds	**$ 101,622**
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%	$ 143,810
Series 2006B-1, issued on May 15, 2006, in the amount of $354,965 (Tax-Exempt) to finance a portion of the cost of construction of the District's baseball stadium; final maturity date: February 1, 2036; interest rates ranging from 4.00% to 5.50%	86,355
Total ballpark revenue bonds	**$ 230,165**
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%	$ 45,710
Series 2012, issued on October 10, 2012, in the amount of $42,935, to: (a) finance Phase II of the 11th Street Bridge Project, and (b) pay costs of issuing the Bonds; final maturity date: December 1, 2027; interest rates ranging from 2.00% to 5.00%	29,005
Total federal highway grant anticipation revenue bonds (GARVEE)	**$ 74,715**
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%	$ 25,845
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. Series 2010C was paid off in fiscal year 2014. The outstanding balance is related to Series 2010A-B which has a final maturity date of June 1, 2040; interest rates ranging from 3.39% to 5.00%	44,230
Series 2012A-B, issued on December 6, 2012, in the amount of $39,585 to: (a) fund portions of the New Communities Projects, (b) fund a deposit to the Debt Service Reserve Fund, and (c) pay cost of issuing the Bonds; final maturity date: June 1, 2042; interest rates ranging from 3.00% to 5.00%	34,325
Total deed tax revenue bonds (Housing production trust fund program)	**$ 104,400**

NOTE 7. LONG-TERM LIABILITIES

Payment in lieu of taxes (PILOT) revenue bonds and notes	
Publicly offered:	
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
Total publicly offered	**145,445**
Direct placements:	
Anacostia Waterfront Corporation (AWC) PILOT Revenue Bonds, issued on September 20, 2007, with Wells Fargo & Company, 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%	28,945
Southeast Federal Center PILOT Revenue Note (The Yards Project) Series 2014, issued on December 18, 2014, with U.S. Bank National Association, in the amount of $34,800, to reimburse Forest City SEFC, LLC; final maturity date: December 1, 2037; interest rate: 75.00% 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, 2019 is $29,468).	17,431
Southwest Waterfront Project Revenue Bond (The Wharf Project) Series 2018 issued on August 23, 2018, with U.S. Bank National Association, 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, 2019 is $27,493).	6,857
Total direct placements	**53,233**
Total payment in lieu of taxes revenue bonds and notes	**$ 198,678**
Total bonds and notes	**$ 10,479,276**
Other long-term liabilities	
225 Virginia Avenue lease	$ 78,820
Premium on long-term debt	849,031
Bond anticipation notes	375,000
Equipment financing program	4,438
Accreted interest	331,524
Long-term tax refunds	115,830
Long-term payroll accrual	1,217
Annual leave	200,128
Disability compensation	75,279
Grant disallowances	11,970
Claims and judgments	158,120
Net pension liabilities	229,809
Total other long-term liabilities	**$ 2,431,166**
Total long-term liabilities – governmental activities	**$ 12,910,442**
BUSINESS-TYPE ACTIVITIES	
Obligation for unpaid prizes	$ 1,190
Compensated absences	566
Estimated third party settlements	6,012
Malpractice loss reserves	2,117
Total long-term liabilities – business-type activities	**$ 9,885**

NOTE 7. LONG-TERM LIABILITIES

B. ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

Tables N7-2 through **N7-19** present annual debt service requirements to maturity for the District's outstanding long-term liabilities as of September 30, 2019.

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

Year Ending September 30	Principal	Interest	Total
2020	$ 164,215	$ 253,595	$ 417,810
2021	168,260	238,313	406,573
2022	167,880	229,790	397,670
2023	165,110	220,718	385,828
2024	168,850	212,454	381,304
2025-2029	934,415	930,409	1,864,824
2030-2034	1,318,985	659,358	1,978,343
2035-2039	1,286,225	319,416	1,605,641
2040-2044	597,290	78,683	675,973
2045	66,070	1,625	67,695
Total	**$ 5,037,300**	**$ 3,144,361**	**$ 8,181,661**

Table N7-3
General Obligation Bonds - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 29,650	$ 21,097	$ 50,747
2021	25,860	19,809	45,669
2022	35,705	18,542	54,247
2023	51,055	16,910	67,965
2024	42,080	14,995	57,075
2025-2029	159,890	47,634	207,524
2030-2034	30,455	32,588	63,043
2035-2039	99,920	28,348	128,268
2040-2042	99,900	7,491	107,391
Total	**$ 574,515**	**$ 207,414**	**$ 781,929**

Table N7-4
Qualified Zone Academy Bonds (QZAB) - Direct Placements ($000s)

Year Ending September 30	Principal
2020	$ 454
2021	454
2022	276
2023	276
2024	276
2025	276
Total	**$ 2,012**

Table N7-5
Income Tax Secured Revenue Bonds ($000s)

Year Ending September 30	Principal	Interest	Total
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	230,215	141,454	371,669
2025-2029	1,258,685	518,251	1,776,936
2030-2034	961,235	225,396	1,186,631
2035-2038	431,955	31,032	462,987
Total	**$ 3,617,225**	**$ 1,581,833**	**$ 5,199,058**

Table N7-6
Tobacco Settlement Asset-Backed Bonds ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 50,155	$ 19,344	$ 69,499
2021	30,530	16,083	46,613
2022	31,225	14,099	45,324
2023	32,225	12,047	44,272
2024	33,635	9,872	43,507
2025-2026	112,610	12,898	125,508
2046	159,733	1,697,592	1,857,325
2055	88,531	2,478,469	2,567,000
Total	**$ 538,644**	**$ 4,260,404**	**$ 4,799,048**

NOTE 7. LONG-TERM LIABILITIES

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

Year Ending September 30	Principal	Interest	Total
2020	$ 1,448	$ 3,057	$ 4,505
2021	2,954	1,555	4,509
2022	4,280	225	4,505
Total	**$ 8,682**	**$ 4,837**	**$ 13,519**

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

Year Ending September 30	Principal	Interest	Total
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	1,150	1,729	2,879
2025-2029	7,190	7,694	14,884
2030-2034	9,095	5,789	14,884
2035-2039	11,620	3,259	14,879
2040-2041	5,525	428	5,953
Total	**$ 37,330**	**$ 26,107**	**$ 63,437**

Table N7-9
TIF - Gallery Place Bonds - Publicly Offered ($000s)

Year Ending September 30	Principal	Interest	Total
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	2,920	1,393	4,313
2025-2029	16,930	4,626	21,556
2030-2031	8,015	606	8,621
Total	**$ 38,210**	**$ 13,524**	**$ 51,734**

Table N7-10
TIF - Skyland Town Center Project - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ -	$ 686	$ 686
2021	-	686	686
2022	682	672	1,354
2023	709	645	1,354
2024	737	616	1,353
2025-2029	4,144	2,613	6,757
2030-2034	5,028	1,712	6,740
2035-2039	6,100	619	6,719
Total	**$ 17,400**	**$ 8,249**	**$ 25,649**

Table N7-11
Ballpark Revenue Bonds ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 3,055	$ 13,074	$ 16,129
2021	3,510	12,873	16,383
2022	3,995	12,642	16,637
2023	4,525	12,380	16,905
2024	17,215	11,781	28,996
2025-2029	109,755	42,715	152,470
2030-2034	57,255	18,936	76,191
2035-2036	30,855	1,939	32,794
Total	**$ 230,165**	**$ 126,340**	**$ 356,505**

Table N7-12
Federal Highway Grant Anticipation Revenue Bonds - GARVEE ($000s)

Year Ending September 30	Principal	Interest	Total
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	10,010	1,758	11,768
2025-2028	29,240	2,277	31,517
Total	**$ 74,715**	**$ 15,638**	**$ 90,353**

Table N7-13
Deed Tax Revenue Bonds - Housing Production Trust Fund ($000s)

Year Ending September 30	Principal	Interest	Total
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	3,790	4,035	7,825
2025-2029	21,720	17,398	39,118
2030-2034	26,915	12,197	39,112
2035-2039	29,005	5,823	34,828
2040-2042	9,510	669	10,179
Total	**$ 104,400**	**$ 57,964**	**$ 162,364**

NOTE 7. LONG-TERM LIABILITIES

Table N7-14
PILOT - Southwest Waterfront Project Revenue Bonds - The Wharf - Publicly Offered ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 4,330	$ 6,636	$ 10,966
2021	4,350	6,514	10,864
2022	4,705	6,380	11,085
2023	4,970	6,218	11,188
2024	5,150	6,038	11,188
2025-2029	29,030	26,920	55,950
2030-2034	36,185	19,751	55,936
2035-2039	46,075	9,870	55,945
2040	10,650	537	11,187
Total	**$ 145,445**	**$ 88,864**	**$ 234,309**

Table N7-15
PILOT - Anacostia Waterfront Corporation Revenue Bonds - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 9,360	$ 1,190	$ 10,550
2021	9,685	767	10,452
2022	9,900	221	10,121
Total	**$ 28,945**	**$ 2,178**	**$ 31,123**

Table N7-16
PILOT - The Yards Revenue Note - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 17,431	$ 132	$ 17,563
Total	**$ 17,431**	**$ 132**	**$ 17,563**

Table N7-17
PILOT - Southwest Waterfront Project Revenue Bonds - The Wharf - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ -	$ 211	$ 211
2021	-	211	211
2022	-	211	211
2023	6,857	176	7,033
Total	**$ 6,857**	**$ 809**	**$ 7,666**

Table N7-18
225 Virginia Avenue Lease ($000s)

Year Ending September 30	Principal	Interest	Total
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	5,338	3,935	9,273
2025-2029	32,811	13,557	46,368
2030-2032	22,574	2,156	24,730
Total	**$ 78,820**	**$ 38,645**	**$ 117,465**

Table N7-19
Equipment Financing Program ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 4,438	$ 48	$ 4,486
Total	**$ 4,438**	**$ 48**	**$ 4,486**

Table N7-20 presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2019. These amounts are based on the assumption 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 on page 95.

Table N7-20
Aggregate Debt Service Requirements and Net Receipts/Payments on Hedging Derivative Instruments ($000s)

Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2020	$ 43,270	$ 5,191	$ 6,024	$ 54,485
2021	34,860	4,211	5,816	44,887
2022	36,400	3,517	4,988	44,905
2023	27,475	2,898	4,055	34,428
2024	28,350	2,371	3,298	34,019
2025-2027	92,350	3,561	4,959	100,870
Total	**$ 262,705**	**$ 21,749**	**$ 29,140**	**$ 313,594**

NOTE 7. LONG-TERM LIABILITIES

C. LONG-TERM DEBT ACTIVITY

Table N7-21 presents the District's long-term debt activity for the year ended September 30, 2019.

Table N7-21
Long-Term Debt Activity ($000s)

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Governmental Activities					
General obligation bonds - publicly offered	$ 4,234,720	$ 937,775	$ (135,195)	$ 5,037,300	$ 164,215
General obligation bonds - direct placements	592,385	-	(17,870)	574,515	29,650
Qualified zone academy bonds (QZAB) - direct placements	2,466	-	(454)	2,012	454
Income tax secured revenue bonds	3,776,255	-	(159,030)	3,617,225	145,470
Tobacco settlement asset-backed bonds	561,119	-	(22,475)	538,644	50,155
Tax increment financing bonds - publicly offered	88,506	-	(4,284)	84,222	4,398
Tax increment financing bonds - direct placements	17,400		-	17,400	-
Ballpark revenue bonds	285,480	-	(55,315)	230,165	3,055
Federal highway grant anticipation revenue bonds (GARVEE)	82,620	-	(7,905)	74,715	8,255
Deed tax revenue bonds (housing production trust fund program)	107,390	-	(2,990)	104,400	3,140
PILOT revenue bonds - publicly offered	145,445	-	-	145,445	4,330
PILOT revenue bonds and notes - direct placements	74,253	10,630	(31,650)	53,233	26,791
225 Virginia Avenue lease	82,633	-	(3,813)	78,820	4,078
Premium on long-term debt	771,523	157,046	(79,538)	849,031	79,601
Bond anticipation notes	275,000	390,000	(290,000)	375,000	40,000
Equipment financing program	16,052	-	(11,614)	4,438	4,438
Accreted interest	297,686	33,838	-	331,524	-
Long-term tax refunds	143,138	-	(27,308)	115,830	-
Long-term payroll accrual	1,715	-	(498)	1,217	-
Annual leave	192,724	7,938	(534)	200,128	197,785
Disability compensation	108,535	-	(33,256)	75,279	-
Grant disallowances	11,970	-	-	11,970	-
Claims and judgment	153,144	52,795	(47,819)	158,120	-
Net pension liability	85,761	144,048	-	229,809	-
Total long-term liabilities - governmental activities	**$ 12,107,920**	**$ 1,734,070**	**$ (931,548)**	**$ 12,910,442**	**$ 765,815**
Business-Type Activities					
Obligation for unpaid prizes	1,547	-	(357)	1,190	410
Compensated absences	491	511	(436)	566	46
Estimated third party settlements	2,816	5,455	(2,259)	6,012	-
Malpractice loss reserves	2,416	-	(299)	2,117	-
Total long-term liabilities - business-type activities	**$ 7,270**	**$ 5,966**	**$ (3,351)**	**$ 9,885**	**$ 456**

The District finances its Capital Improvements Plan (CIP), the six-year capital budget which identifies the District's long-term capital projects, through the issuance of General Obligation (GO) and Income Tax Revenue Secured (ITS) Bonds. The District also utilizes Bond Anticipation Notes as interim funding in anticipation of the issuance of long-term GO or ITS bonds.

In addition to financing the CIP, the District has issued Tax Increment Financing (TIF) and Payments In Lieu of Taxes (PILOT) Bonds and Notes to encourage economic development within the District; Ballpark Revenue Bonds to finance a portion of the cost of construction of the Washington Nationals Baseball Stadium; Deed Tax Revenue Bonds to provide funds for affordable housing initiatives; Washington Convention Center and Sports Authority Revenue Bonds to fund convention center, stadium and armory complex capital projects; and Qualified Zone Academy Revenue Bonds to fund capital projects at qualifying public schools.

Special long-term obligations not supported by general tax revenue include Federal Highway Grant Revenue Bonds and Tobacco Settlement Asset-Backed Bonds. As of September 30, 2019, the total bonds and notes outstanding including Equipment Financing Program totaled $10,858,714.

General Obligation Bonds

The Home Rule Act authorizes the District to issue GO bonds or Bond Anticipation Notes to fund capital projects. The full faith and credit of the District is pledged to pay principal and interest on GO debt. The General Obligation Bond and Bond Anticipation Note Act (the Bond Act) provides for the collection of Special Real Property Taxes, which are taxes on real property in the District that satisfy debt service coming due on outstanding GO debt each fiscal year. Revenue derived from Special Real Property Taxes is irrevocably pledged for the benefit of bondholders. Debt service on general obligation debt totaled $375,259 in fiscal year 2019. As of September 30, 2019, the total General Obligation Bonds outstanding was $5,611,815.

NOTE 7. LONG-TERM LIABILITIES

New General Obligation Bond Issuance

In February 2019, the District issued $937,775 Series 2019A General Obligation Bonds. The proceeds of the bonds were used to finance capital project expenditures under the District's capital improvements plan, refinance GO bond anticipation notes and pay the costs and expenses of issuing the bonds. Interest rates on the Series 2019A Bonds range from 4.00% to 5.00%.

Income Tax Secured Revenue Bonds

The Income Tax Secured Bond Authorization Act (ITS Bond Act) authorizes the District to issue up to $9,200,000 of Income Tax Secured Revenue (ITS) Bonds to fund capital projects. As of September 30, 2019, the ITS bonds outstanding totaled $3,617,225.

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

The ITS Bond Act pledges the District's income and business franchise taxes to pay principal and interest on ITS debt. In fiscal year 2019, debt service on the ITS bonds totaled $345,082. During fiscal year 2019, the District collected $2,941,982 in income and business franchise taxes. The debt service coverage ratio was 8.53 to 1: Total available taxes of $2,941,982 divided by FY 2019 debt service of $345,082. Of the amount collected, $350,953 or 11.93%, 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 2020. The anticipated debt service amount for fiscal year 2020 is $324,358. Therefore, total available tax revenues collected, set aside and held in escrow in the General Fund in fiscal year 2019 fulfill the total anticipated Income Tax Secured Revenue Bonds debt service obligation for fiscal year 2020 as presented in **Table N7-22**.

Table N7-22
Debt Service Coverage Ratio
Income Tax Secured Revenue Bonds ($000s)

Available Tax Revenues Collected in FY 2019		
Individual income		$ 2,299,326
Business franchise		642,656
Total		**$ 2,941,982**
Amount held in escrow for FY 2020 debt service	(a)	350,953
FY 2020 debt service amount	(b)	324,358
Rate of coverage (c)=(a)/(b)	(c)	108%

Bond Anticipation Notes

The District uses Bond Anticipation Notes (BANs) in the form of commercial paper (CP) and other notes to provide interim financing for capital project expenditures. 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. The District's revolving note facility allows the District to issue Notes held by the credit provider. Interest due on outstanding Notes is based on a spread to the LIBOR index and is paid monthly. 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 fiscal year 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 (2017 Notes) held by U.S. Bank. The facility expires in March 2021. As of September 30, 2019, there were no 2017 Notes outstanding.

In fiscal year 2018, the District established a direct pay letter of credit with Industrial and Commercial Bank of China Limited (2018 CP Notes). 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. Principal on all outstanding 2018 CP Notes will be paid on or before the expiration of the letter of credit in September 2021. As of September 30, 2019, the 2018 GO CP Notes outstanding totaled $205,000.

New General Obligation Bond Anticipation Notes

In fiscal year 2019, the District established a direct pay letter of credit with Barclays Bank PLC. The letter of credit supports the District's issuance, up to a maximum principal amount of $500,000, of general obligation commercial paper bond anticipation notes (2019 CP Notes). Principal on all outstanding 2019 CP Notes will be paid on or before the expiration of the letter credit in April 2022. As of September 30, 2019, the 2019 CP Notes outstanding totaled $130,000.

New Income Tax Secured Revenue Notes

In March 2019, the District issued $40,000 Series 2019A Income Tax Secured Bond Anticipation (ITS Notes) to Morgan Stanley & Co. LLC. The ITS Notes provide interim financing for the District's New Communities Initiative and or; housing infrastructure with a special focus on affordable housing. Principal on the ITS Notes will be paid with proceeds from the issuance of ITS bonds on or before the mandatory tender date of December 1, 2019. As of September 30, 2019, the Series 2019 Income Tax Secured Bond Anticipation Notes outstanding totaled $40,000.

Refunding and Bond Defeasances

In fiscal year 2019, the District refinanced $200,000 of 2017 Bond Anticipation Notes and $90,000 of 2018 Commercial Paper Bond Anticipation Notes with proceeds from the issuance of the Series 2019A GO

NOTE 7. LONG-TERM LIABILITIES

Bonds. The current refunding produced no economic gain or loss as well as no estimated aggregate difference in debt service.

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. The final payment associated with the Equipment Lease Purchase Program is due on September 25, 2020. As of September 30, 2019, the Equipment Financing Program's outstanding principal totaled $4,438.

Tax Increment Financing and Payments in Lieu of Taxes

The Tax Increment Financing Act provides the District the authority to issue tax increment financing (TIF) and payments in lieu of taxes (PILOT) obligations that fund economic development projects within the District. TIF and PILOT obligations are payable from incremental increases in certain dedicated real property tax (or payments in lieu of real property tax) and sales tax revenues within defined geographic areas where the proceeds from TIF and PILOT obligations are deployed. As of September 30, 2019, the TIF and PILOT debt outstanding totaled $300,300.

Ballpark Revenue Bonds

The Ballpark Financing Act authorized the issuance of Ballpark Revenue Bonds to finance a portion of the cost of construction of the Washington Nationals baseball stadium. Ballpark revenue bonds are limited obligations of the District, secured by a pledge of stadium rent paid by Major League Baseball, sales taxes collected within the stadium, utility tax and ballpark fees. As of September 30, 2019, the Ballpark Revenue Bonds outstanding totaled $230,165.

Ballpark Revenue Bond Redemptions

In fiscal year 2019, the District paid $52,680 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.

Deed Tax Revenue (Housing Production Trust Fund) Bonds

The Housing Production Trust Fund Act authorized the issuance of Deed Tax Revenue Housing Production Trust Fund (HPTF) bonds to fund the New Communities Initiatives and or; the District's comprehensive plan for affordable housing infrastructure. HPTF bonds are obligations of the District secured by an allocation of real property transfer taxes and deed recordation taxes. Beginning in fiscal year 2013, New Communities Initiatives are financed through the issuance of ITS bonds. As of September 30, 2019, HPTF bonds outstanding totaled $104,400.

Qualified Zone Academy Revenue Bonds

The District has two Qualified Zone Academy Revenue (QZABs) bond issues outstanding that were sold as direct placements. Proceeds were used to rehabilitate, repair and equip certain public schools in the District. QZABs are federal tax credit bonds that allow a credit to investors. The bonds are secured by real property tax revenue on deposit in the QZAB Pledged Revenue Account. As of September 30, 2019, the QZAB Bonds outstanding totaled $2,012.

Federal Highway Grant Anticipation Revenue (GARVEE) Bonds

The Transportation Infrastructure Improvements GARVEE Bond Financing Act authorizes the issuance of GARVEE bonds to finance transportation related infrastructure. GARVEE bonds are limited obligations of the District, secured by a pledge of Federal Transportation Funds paid to the District, including funds held in the Transportation Infrastructure Improvement Fund. As of September 30, 2019, the GARVEE bonds outstanding totaled $74,715.

Obligation for Unpaid Prizes

The Office of Lottery Gaming (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, 2019, MUSL purchased for the Lottery, U.S. government securities totaling $1,210 to fund future installment payments to winners. The fair market value of these securities as of September 30, 2019, was $1,190. 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.

D. DIRECT PLACEMENTS AND DIRECT BORROWINGS

Direct placements and direct borrowings are bonds and notes which have terms negotiated directly with investors or lenders and are not offered for public sale. As of September 30, 2019, the District's governmental activities included direct placements with investors for General Obligation Bonds, Tax Increment Financing Bonds, and PILOT Revenue Bonds and Notes. The District did not have any direct borrowings with any lenders as of September 30, 2019.

NOTE 7. LONG-TERM LIABILITIES

General Obligation Bond Direct Placements

The District has four variable rate General Obligation Bonds outstanding that were sold as direct placements. The Series 2016B and Series 2016C LIBOR Index Bonds pay the holder a floating interest rate calculated as a percentage of the LIBOR. The Series 2017B and Series 2017C are Securities Industry and Financial Markets Association (SIFMA) Index Bonds and pay the holder a floating index rate based on the SIFMA Municipal Swap Index plus spread. As of September 30, 2019, the outstanding variable rate GO bonds direct placements totaled $574,515.

TIF Bonds and PILOT Revenue Bond and Note Direct Placements

The Anacostia Waterfront Corporation PILOT Revenue Bond Series 2007, PILOT Revenue Note Series 2014, TIF Revenue Note Series 2018, and Southwest Waterfront Project PILOT Revenue Bond Series 2018 obligations were sold as direct placements. As of September 30, 2019, TIF Bonds and PILOT revenue notes issued as direct placements outstanding balance totaled $70,633.

Unused Lines of Credit

The Southeast Federal Center PILOT Revenue Notes (The Yards Notes) and the Southwest Waterfront Project PILOT Revenue Bonds Series 2018 (The Wharf Project) are drawdown bonds. As of September 30, 2019, The Yards Notes and The Wharf Bonds had unused lines of credit in the amount of $17,369 and $20,643 respectively.

E. EVENTS OF DEFAULT AND REMEDIES

The District's failure to pay the principal or interest on any debt when due or failure to observe and perform any covenant, condition, agreement or provision in any indenture applicable to the District's various debt obligations, constitutes an event of default for the District. In the event of a default, bondholders may sue to enforce their rights or to enjoin any acts of the District that may be unlawful or in violation of their rights.

In addition to the events of default and remedies specified in the indentures for outstanding debt, the District's direct placements and credit agreements are supplemented by Continuing Covenants Agreements (CCA) and Credit Agreements (CA). Events of default can include, but are not necessarily limited to: payment defaults by the District; the District's failure to observe certain covenants; District representations in bond documents prove to be incorrect; bankruptcy or insolvency of the District; the District's long-term general obligation bond or note rating is withdrawn or suspended for credit-related reasons, or downgraded below certain thresholds; or the District fails to satisfy non-appealable monetary judgments above a certain amount. Purchasers, credit providers and note holders may sue to enforce their rights or to enjoin any acts of the District that may be unlawful or in violation of their rights. If the District is found to be in default and that default is continuing, the District is obligated to pay interest at the default rate not to exceed 12% per annum.

F. 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 $9,700. 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.

NOTE 7. LONG-TERM LIABILITIES

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. WCSA deposited the net proceeds from Series 2018B along with other WCSA funds 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, 2019.

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

Table N7-23
Debt Service Requirements to Maturity
Washington Convention and Sports Authority
($000s)

Year Ending September 30	Principal	Interest	Total
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	12,480	19,111	31,591
2025-2029	138,680	80,190	218,870
2030-2034	118,500	39,400	157,900
2035-2039	74,920	18,431	93,351
2040-2041	30,025	1,346	31,371
Subtotal	481,135	247,055	728,190
Add:			
Unamortized bond premium, net	35,746	-	35,746
Total	**$ 516,881**	**$ 247,055**	**$ 763,936**

Housing Finance Agency

The Housing Finance Agency (HFA) issues bonds primarily to finance its housing programs. Such bonds are collateralized by: (a) mortgage-backed securities in connection with underlying loans; (b) mortgage loans made on the related multi-family developments or single-family residential mortgage loans purchased; or (c) investment of bond proceeds, debt service reserves and escrow accounts, and all revenues, mortgage payments, and recovery payments received by the Agency from investments, mortgage loans, and mortgage-backed securities in connection with the related developments.

Bonds issued by HFA are special obligations of the Agency and are payable from the revenue and special funds of the applicable indentures. The bonds and notes do not constitute debt of and are not guaranteed by the District or any other program of the District. All mortgage revenue bonds for multifamily projects financed to date have been issued by the Agency as standalone pass-through financings with no direct economic recourse to the Agency as the issuer.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and mortgage-backed securities. All outstanding bonds are subject to redemption at the option of HFA or the borrower, in whole or in part at any time, after certain dates, as specified in the respective bond indentures and bond resolutions, at prescribed redemption prices. The redemption premiums 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 2019

During fiscal years 2010 through 2019, 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.

Table N7-24 presents the debt service requirements to maturity for principal and interest for the Housing Finance Agency's outstanding bonds.

Table N7-24
Debt Service Requirements to Maturity
Housing Finance Agency ($000s)

Year Ending September 30	Principal	Interest	Total
2020	$ 25,661	$ 55,711	$ 81,372
2021	72,819	55,760	128,579
2022	21,166	57,324	78,490
2023	50,251	53,740	103,991
2024	16,643	52,201	68,844
2025-2029	155,887	242,026	397,913
2030-2034	158,482	209,390	367,872
2035-2039	342,746	189,018	531,764
2040-2044	129,783	115,950	245,733
2045-2049	271,146	89,581	360,727
2050-2054	222,725	29,111	251,836
2055-2059	5,140	5,136	10,276
2060-2064	29,495	2,034	31,529
Subtotal	1,501,944	1,156,982	2,658,926
Add:			
Unamortized bond premium, net	1,015	-	1,015
Total	**$ 1,502,959**	**$ 1,156,982**	**$ 2,659,941**

For more information on HFA's long-term debt activity during fiscal year 2019, refer to the separately issued financial statements for that year. The contact information can be found in Note 1 on page 67.

NOTE 7. LONG-TERM LIABILITIES

Tobacco Settlement Asset-Backed

The Tobacco Settlement Financing Corporation (the Tobacco Corporation) is a special purpose, independent instrumentality of the District created by the Tobacco Settlement Financing Act of 2000 (the Tobacco Act). Pursuant to the Tobacco Act, and a purchase and sale agreement between the District and the Tobacco Corporation, the District sold to the Tobacco Corporation, substantially all of its rights, title and interests in certain amounts paid or payable to the District under the Master Settlement Agreement, or MSA (settlement of certain smoking-related litigation), entered into by participating cigarette manufacturers, the District, forty-six states and five other U.S. jurisdictions in 1998. The Tobacco Corporation issued bonds secured by, and payable solely from, the amounts payable to the District under the MSA. The Tobacco Corporation had $538,644 in bonds outstanding as of September 30, 2019.

Events of Default and Remedies

Events of default under the Tobacco Corporation's indenture can include, but are not necessarily limited to: payment defaults by the Corporation; the Corporation's failure to observe certain provisions of the indenture that are not remedied within 30 days after receiving written notice of failure from the Corporation's Trustee; bankruptcy or insolvency of the Corporation; or the District fails to pay the Corporation any pledged Tobacco Settlement Revenue (TSR); the District consents or acquiesces in an amendment or modification of the MSA that materially reduces the amount of TSR payable under the MSA.

The indenture provides that in the event of default the Trustee, on behalf of bondholders, may file a lawsuit against the District.

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 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). CSRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. Permanent full-time District employees hired before October 1, 1987, except those covered by the District Retirement Funds, are covered by CSRS. As of September 30, 2019, there were 1,201 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 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, 2019, 2018, and 2017, were $7,469, $8,197, and $9,167, 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 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 $132,900 (not in thousands) for 2019, 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, ranging from $125,000 to $250,000, 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, 2019, 2018 and 2017, were $108,073, $103,508, and $97,599, respectively. In addition, District contributions for Medicare for fiscal years 2019, 2018 and 2017 were $41,312, $38,789 and $37,771, 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 §1-711 et seq.), 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 Fire Fighters' 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, NW, 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. 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 Fire Fighters' Retirement Fund

A participant becomes a member when he/she begins work as a police officer or firefighter in the District. The benefit structure for members varies depending upon their date of hire.

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 firefighting service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Retirement benefits are increased by the same percentage in base pay granted to active participants. Members with a service-related disability receive a disability retirement benefit of 2.50% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 66.67% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply. Members with a non-service related disability and at least five years of departmental service receive a disability retirement benefit of 2.00% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 40% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay applies.

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

Members hired on or after November 10, 1996 are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.50% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by the number of 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

NOTE 8. RETIREMENT PROGRAMS

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, 2019 and 2018.

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

	2019	2018
TRF		
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	4,059	3,990
Active plan members	5,226	5,066
Vested terminations	1,446	1,429
Total	**10,731**	**10,485**
POFRF		
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	3,699	3,441
Active plan members	5,406	5,349
Vested terminations	261	315
Total	**9,366**	**9,105**

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 the Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Plan Act of 1998.The amount of the District's contributions for fiscal years 2019 and 2018 were equal to the amounts computed, if any, by DCRB's independent actuary. 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** presents required amounts contributed by the District to the District Retirement Funds for fiscal years 2019 and 2018.

Table N8-2
District Retirement Funds
District Contributions ($000s)

Fiscal Year Ended	TRF	POFRF
September 30, 2019	$ 53,343	$ 91,284
September 30, 2018	59,046	105,596

Net Pension Liability

The District's net pension liability (asset) was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of September 30, 2019. **Table N8-3** presents the aggregate amounts of the District Retirement Funds as of September 30, 2019.

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

	TRF	POFRF	TOTAL
Total pension liabilities	$ 2,494,291	$ 5,604,573	$ 8,098,864
Pension net position	2,264,482	6,256,363	8,520,845
Deferred outflows of resources	84,352	22,118	106,470
Deferred inflows of resources	8,699	195,012	203,711
Pension expense	78,416	74,038	152,454
Net pension liabilities (assets)	229,809	(651,790)	(421,981)

NOTE 8. RETIREMENT PROGRAMS

Actuarial Assumptions

The total pension liability was determined based on an actuarial valuation as of September 30, 2019, using actuarial assumptions presented in **Table N8-4**, which were applied to all periods included in the measurement date as of September 30, 2019.

Table N8-4
District Retirement Funds: Summary of Actuarial Assumptions Used to Determine Total Pension Liability As of September 30, 2019

	TRF	POFRF
Inflation	3.50%	3.50%
Salary increases	5.50 - 8.63%, including wage inflation of 4.25%	4.25 - 6.34%, including wage inflation of 4.25%
Investment rate of return	6.50%, net of pension plan investment expense	6.50%, net of pension plan investment expense
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.
Cost of Living Adjustments	3.50% for those hired before 11/1/1996; Limited to 3.00% for those hired on or after 11/1/1996	3.50% for those hired before 11/1/1996; Limited to 3.00% for those hired on or after 11/1/1996

The actuarial assumptions used in the September 30, 2019 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
District Retirement Funds: Summary of Target Allocation and Long-Term Expected Real Rate of Return by Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.00 %	7.80 %
Foreign equity (developed)	16.00 %	8.10 %
Foreign equity (emerging)	10.00 %	10.50 %
U.S. core fixed income	11.00 %	4.40 %
Treasury inflation-protected securities (TIPS)	6.00 %	3.30 %
High yield bonds	4.00 %	6.80 %
Bank loans	3.00 %	5.70 %
Foreign bonds (developed)	2.00 %	2.60 %
Emerging markets debt (local)	4.00 %	5.90 %
Real estate	6.00 %	7.10 %
Natural resources (private)	2.00 %	7.80 %
Infrastructure	3.00 %	7.80 %
Private equity	9.00 %	9.40 %
Absolute return	4.00 %	5.60 %
Total	**100.00 %**	

NOTE 8. RETIREMENT PROGRAMS

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 and revised in 2017. 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, 2019.

Table N8-6
District Retirement Funds
Changes in Net Pension Liability (Asset) ($000s)

	Increase (Decrease)					
	Teachers' Retirement Fund			Police Officers and Fire Fighters' 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, 2018	$ 2,261,867	$ 2,176,106	$ 85,761	$ 5,265,874	$ 6,023,770	$ (757,896)
Changes for the year						
Service cost	72,429	-	72,429	180,928	-	180,928
Interest	144,165	-	144,165	338,288	-	338,288
Difference between expected and actual experience	103,719	-	103,719	(57,642)	-	(57,642)
Contributions - employer	-	53,343	(53,343)	-	91,284	(91,284)
Contributions - employees	-	40,432	(40,432)	-	38,243	(38,243)
Net investment income	-	85,047	(85,047)	-	232,987	(232,987)
Benefit payments, including refunds of employee contributions	(87,889)	(87,889)	-	(122,875)	(122,875)	-
Administrative expenses	-	(3,440)	3,440	-	(9,481)	9,481
Other income	-	883	(883)	-	2,435	(2,435)
Net Changes	232,424	88,376	144,048	338,699	232,593	106,106
Balances at September 30, 2019	**$ 2,494,291**	**$ 2,264,482**	**$ 229,809**	**$ 5,604,573**	**$ 6,256,363**	**$ (651,790)**

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

Table N8-7 presents the net pension liability (asset) of the TRF and POFRF Plans, 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
District Retirement Funds: Sensitivity of the 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)	$ 669,520	$ 229,809	$ (117,925)
Police officers and fire fighters' plan's net pension liability (asset)	372,957	(651,790)	(1,460,879)

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, 2019, the District recognized pension expenses of $78,416 and $74,038 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, 2019.

NOTE 8. RETIREMENT PROGRAMS

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

	TRF		POFRF	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 77,789	$ 8,699	$ -	$ 187,493
Changes of assumptions	-	-	22,118	-
Net difference between projected and actual earnings on plan investments	6,563	-	-	7,519
Total	**$ 84,352**	**$ 8,699**	**$ 22,118**	**$ 195,012**

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
District Retirement Funds
Schedule of Amortization of Deferred Outflows (Deferred Inflows) of Resources ($000s)

Year ended September 30	TRF	POFRF
2020	$ 4,732	$ (116,193)
2021	16,087	(60,483)
2022	44,142	19,698
2023	10,692	10,158
2024	-	(17,840)
Thereafter	-	(8,234)

Payable to the Pension Plans

The District's contributions for fiscal years 2019, 2018, and 2017 were equal to the fund's independent actuary's recommendation; therefore, there were no outstanding amounts due to the plans as of September 30, 2019.

B. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the provisions of D.C. Code §1-626.05, 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, 2019, there were 19,595 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, 2019, 2018, and 2017, District's contributions to the plan were $73,753, $69,458, and $65,133, 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 $19,000 (not in thousands) of their annual compensation for calendar year 2019. 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 2019. As of September 30, 2019, there were 3,353 employees participating in the Section 403(b) plan. District employees contributed $23,465 to this annuity plan in fiscal year 2019. 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 $19,000 (not in thousands) or 100% of includable compensation in calendar year 2019. 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, $38,000 (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, 2019, there were 16,500 employees participating in the Section 457 plan. District employees contributed $77,769 to this plan in fiscal year 2019. Contributions are not assets of the District, and the District has no further liability to the plan.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description

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

D.C. Code §1-621.09 authorizes the Mayor to determine the amount of 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. The OPEB Plan 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
1101 4th Street, SW, Suite 800W
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 $.0433 per thousand dollars 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, 2019 and 2018.

Table N9-1
OPEB Plan Members Covered by Benefit Terms

	2019	2018
Inactive OPEB plan members currently receiving benefits	1,939	1,683

Contributions

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 2019 and 2018 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 2019 and 2018.

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

Fiscal Year Ended	Amount
September 30, 2019	$ 46,000
September 30, 2018	44,500

Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of September 30, 2018, rolled forward to the measurement date.

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation as of September 30, 2018, 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, 2019.

Table N9-3
Summary of Actuarial Assumptions Used to Determine Total OPEB Liability
As of September 30, 2019

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	17 years beginning with fiscal year end 2019
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	5.40%, 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-2018 Improvement Scale, fully generational, was used for healthy lives both pre-retirement and post-retirement. For disabled lives, the RP-2014 Disabled Life Mortality Table was used.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of the most recent experience study executed in fiscal years 2017 and 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, 2019.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	45.00%	6.60%
International equity	9.00%	6.90%
Emerging market equity	4.00%	8.90%
Core fixed income	24.00%	3.40%
Developed markets fixed income	10.00%	2.40%
Emerging market debt	3.00%	5.70%
Commodities	5.00%	4.70%
Cash	0.00%	2.70%
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, 2019.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at September 30, 2018	$ 1,391,001	$ 1,462,030	$ (71,029)
Changes for the year			
Service cost	50,106	-	50,106
Interest	89,812	-	89,812
Difference between expected and actual experience	1,627	-	1,627
Changes in assumptions	(49,000)	-	(49,000)
Insurance carrier premiums net of retiree contributions	(18,844)	-	(18,844)
Contributions - employer and annuitants	-	46,834	(46,834)
Net investment income	-	20,647	(20,647)
Benefit payments, including refunds of employee contributions	-	(19,678)	19,678
Administrative expenses	-	(730)	730
Net changes	73,701	47,073	26,628
Balances at September 30, 2019	**$ 1,464,702**	**$ 1,509,103**	**$ (44,401)**

Note:
Changes in assumptions which decreased the total OPEB liability by $49,000 resulted from: changes in healthcare costs and trends; and actuarial and demographic changes due to the experience study.

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 (5.50%) or 1-percentage-point higher (7.50%) than the current discount rate.

Table N9-6
Sensitivity of the 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)	$ 193,569	$ (44,401)	$ (235,252)

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 (4.40% decreasing to 2.90%) or 1-percentage-point higher (6.40% decreasing to 4.90%) 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 (4.40% decreasing to 2.90%)	Healthcare Cost Trend Rates (5.40% decreasing to 3.90%)	1% Increase (6.40% decreasing to 4.90%)
Net OPEB liability (asset)	$ (262,151)	$ (44,401)	$ 235,421

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, 2019, the District recognized OPEB expense of $63,792. **Table N9-8** presents deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2019.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,394	$ 546
Changes of assumptions	38,205	42,000
Net difference between projected and actual earnings on plan investments	73,583	-
Total	**$ 113,182**	**$ 42,546**

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
OPEB: Schedule of Amortization of Deferred Outflows (Deferred Inflows) of Resources ($000s)

Year ended September 30	Deferred Outflows
2020	$ 19,021
2021	19,021
2022	19,021
2023	14,555
2024	(491)
Thereafter	(491)

Payable to the OPEB Plan

The District's contributions for fiscal years 2019, 2018, and 2017 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, 2019.

NOTE 10. FUND BALANCE / NET POSITION

A. FUND BALANCE

Table N10-1 presents the District's fund balances as of September 30, 2019.

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

	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventory	$ 10,303	$ -	$ -	$ -	$ -	$ 10,303
Total nonspendable fund balance	10,303	-	-	-	-	10,303
Restricted for:						
Emergency and contingency cash reserves	447,787	-	-	-	-	447,787
Debt service - bond escrow	530,117	-	-	-	-	530,117
Budget reserves	208	-	-	-	-	208
Purpose restrictions	121,466	150,240	-	-	-	271,706
Payment-in-lieu of taxes	-	-	-	-	87,035	87,035
Tobacco settlement	-	-	-	-	79,797	79,797
Tax increment financing program	33,052	-	-	-	65,953	99,005
Housing production trust	-	-	142,940	-	-	142,940
Highway projects	-	-	-	-	43,540	43,540
Baseball project	-	-	-	-	64,631	64,631
Universal paid leave	-	-	-	-	70,613	70,613
Total restricted fund balance	1,132,630	150,240	142,940	-	411,569	1,837,379
Committed to:						
Fiscal stabilization reserve	212,729	-	-	-	-	212,729
Cash flow reserve	773,598	-	-	-	-	773,598
Budget support act	99,773	-	-	-	-	99,773
Soccer stadium	10,398	-	-	-	-	10,398
Dedicated taxes	19,747	-	-	-	-	19,747
Housing production trust fund	161,825	-	-	-	-	161,825
Pay-as-you-go capital projects	161,825	-	-	-	-	161,825
Subsequent years' expenditures	388,734	-	-	-	-	388,734
Other special purposes	212,504	-	-	-	-	212,504
Total committed fund balance	2,041,133	-	-	-	-	2,041,133
Assigned to:						
Subsequent years' expenditures	69,250	-	-	-	-	69,250
Total assigned fund balance	69,250	-	-	-	-	69,250
Unassigned fund balance	-	-	-	(378,421)	-	(378,421)
Total fund balances	**$ 3,253,316**	**$ 150,240**	**$ 142,940**	**$ (378,421)**	**$ 411,569**	**$ 3,579,644**

B. NET POSITION OF THE PROPRIETARY AND FIDUCIARY FUNDS

Table N10-2 presents the net position of the proprietary and fiduciary funds as of September 30, 2019.

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

NET POSITION	Office of Lottery and Gaming	Unemployment Compensation Fund	Not-for-Profit Hospital Corporation	Fiduciary Funds
Net investment in capital assets	$ 595	$ -	$ 68,254	$ -
Restricted	-	489,395	14,036	10,721,882
Unrestricted	4,100	-	9,611	-
Total net position	**$ 4,695**	**$ 489,395**	**$ 91,901**	**$ 10,721,882**

NOTE 11. TAX ABATEMENTS

TAX ABATEMENT PROGRAMS

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. The agreement must precede the reduction of taxes and the fulfillment of the promise to act by the individual or entity.

Many tax expenditure programs exhibit the features of tax abatements. For instance, they reduce taxes, encourage beneficial actions by individuals or entities, and may be based on agreements. However, most of the District's tax expenditure programs require individuals or entities to perform certain activities and subsequently apply for the tax reduction, which is either approved or denied by the District. Such tax expenditure programs are excluded from the scope of GASB Statement No. 77 because the related commitment is made after the individual or entity has already performed the required activity associated with the requested tax reduction. Such programs, even with the existence of an agreement, 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. This 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. 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).

Real Property Tax Abatements

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 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.

Possessory Interest Tax Abatements

A taxable possessory interest is created when real estate owned by a government agency is leased, rented, or used by a private individual or entity for their own exclusive use. The possessory interest tax abatements are designed to provide support for construction, maintenance, and operating activities of major project developments in the District. The District enters into ground lease agreements that either provide abatement of the possessory interest tax for a number of years and gradually increases this tax thereafter or returns paid possessory interest tax as a grant to the developer.

For the fiscal years ended September 30, 2019 and 2018, the District abated taxes (real property taxes and possessory interest taxes) totaled $12,335 and $10,143 respectively. **Table N11-1** presents the aggregate amounts of taxes abated during fiscal years 2019 and 2018.

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

	FY 2019	FY 2018
Special tax incentives program		
Real property tax	$ 11,327	$ 9,159
Possessory interest tax	1,008	984
Total	**$ 12,335**	**$ 10,143**

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, 2019.

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

	Local	Capital
Operating grants	$ 395,493	$ -
School transit subsidy	30,260	-
Capital grants	-	120,329
Total	**$ 425,753**	**$ 120,329**

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

Washington Metropolitan Area Transit Authority
General Manager
600 5th Street, NW
Washington, DC 20001

Table N12-2 presents summary 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. This information is summarized from the separately issued financial statements of WMATA.

Table N12-2
Summary of Financial Statements for WMATA as of and for the year ended June 30, 2019
($000s)

FINANCIAL POSITION	
Total assets	$ 13,271,788
Total deferred outflows of resources	408,379
Total liabilities	(5,167,470)
Total deferred inflows of resources	(409,359)
Net position	**$ 8,103,338**
OPERATING RESULTS	
Operating revenues	$ 789,678
Operating expenses	(3,088,055)
Nonoperating revenues, net	940,847
Revenue from capital contributions	975,500
Change in net position	**$ (382,030)**
CHANGE IN NET POSITION	
Net position, beginning of year, as restated	$ 8,485,368
Change in net position	(382,030)
Net position, end of year	**$ 8,103,338**

B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2019, the most significant transactions between the District and its discretely presented 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, $147,633; and the University of the District of Columbia, $104,157. 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, 2019 totaled $556,431, which is comprised of $498,281 in on-behalf payments to the DC Federal Pension Fund and $58,150 in contributions 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, 2019, 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 2019.

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. In fiscal year 2019, SNAP expenditures totaled $173,110.

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 reported 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, 2019, 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. Some operating leases contain escalation clauses and contingent rentals that are not included in the calculation of the future minimum lease payments. In fiscal year 2019, operating lease expenditures recorded in governmental funds totaled $171,003.

Table N14-1 presents the future minimum lease commitments for all operating leases having non-cancelable terms in excess of one year as of September 30, 2019.

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

Year Ending September 30	Primary Government Operating Leases Facilities	Primary Government Operating Leases Equipment
2020	$ 94,152	$ 6,052
2021	86,499	2,952
2022	79,292	961
2023	79,325	134
2024	79,925	-
2025-2029	216,826	-
2030-2034	28,225	-
2035-2039	5,663	-
2040-2044	945	-
2045-2049	1,095	-
2050	39	-
Minimum lease payments	**$ 671,986**	**$ 10,099**

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 expenses/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, 2019. As such, the District's compliance with applicable grant and federal requirements will be assessed and established at a future date. Based on prior experience and resolutions reached with grantor agencies, the District determined that as of September 30, 2019, 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, 2019, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was $27,660 as indicated in **Table N2-13** on page 95. 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, 2019.

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, 2019.

The accrued liability is based on estimates of payments that will be made upon legal judgment or resolution of the claims. This accrued liability 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 $75,000.

In fiscal year 2019, there was a $14,235 net increase in the accrual related to pending or unresolved property tax appeals made by District property owners.

Table N15-1 presents a summary of the changes in accrued liability for claims and judgments reported in the government-wide financial statements.

NOTE 15. COMMITMENTS AND CONTINGENCIES

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

	Fiscal Year 2019	Fiscal Year 2018
Liability at October 1	**$ 153,144**	**$ 121,825**
Claims incurred		
Lawsuits	16,216	72,009
Property tax appeals	36,579	27,768
Claims payments/adjustments		
Lawsuits	(25,475)	(25,940)
Property tax appeals	(22,344)	(42,518)
Liability at September 30	**$ 158,120**	**$ 153,144**

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 2019	Fiscal Year 2018
Liability at October 1	**$ 108,535**	**$ 121,186**
Claims/adjustments	(15,098)	3,240
Benefit payments	(18,158)	(15,891)
Liability at September 30	**$ 75,279**	**$ 108,535**

NOTE 16. SUBSEQUENT EVENTS

A. INCOME TAX SECURED REVENUE BONDS - TAX EXEMPT

In December 2019, the District issued $718,945 in tax-exempt Income Tax Secured Revenue Bonds, Series 2019A. The proceeds of the 2019A Bonds will be used to: (1) pay or reimburse the District for capital project expenditure under the District's capital improvements plan, (2) refund $205,000 General Obligation Bond Anticipation Notes, and (3) pay the cost and expenses of issuing and delivering the Series 2019A Bonds.

The Series 2019A Bonds bear interest at a fixed rate ranging from 3.00% to 5.00% and have a final maturity date of March 1, 2044. The interest and principal on the Bonds are payable solely from the District's income and business franchise taxes pledged under the Income Tax Secured Revenue Bond Indenture (the Indenture).

B. INCOME TAX SECURED REVENUE BONDS - FEDERALLY TAXABLE

In December 2019, the District issued $60,000 federally taxable Income Tax Secured Revenue Bonds, Series 2019B. The proceeds of the Series 2019B Bonds will be used to (1) provide funds for the New Communities Initiative, (2) refund $40,000 in Income Tax Secured Bond Anticipation Notes, and (3) pay the cost and expenses of issuing and delivering the Series 2019B Bonds.

The Series 2019B Bonds bear interest at a fixed rate ranging from 1.78% to 3.20% and have a final maturity of March 1, 2039. The interest and principal on the Bonds are payable solely from the District's income and business franchise taxes pledged under the Indenture.

C. INCOME TAX SECURED REVENUE REFUNDING BONDS - TAX EXEMPT

In December 2019, the District issued $583,395 in tax-exempt Income Tax Secured Revenue Refunding Bonds, Series 2019C. The proceeds of the Series 2019C Bonds will be used to (1) refund Income Tax Secured Revenue Bonds Series 2009A, 2009B, 2009C; Deed Tax Revenue Bonds (HPTF - New Communities Project) Series 2007A; General Obligation Bonds Series 2007A and (2) pay the costs and expenses of issuing and delivering the 2019C Bonds.

The Series 2019C Bonds bear interest at a fixed rate ranging from 3.00% to 5.00% and have a final maturity date of October 1, 2036. The interest and principal on the Bonds are payable solely from the District's income and business franchise taxes pledged under the Indenture.

D. TAX INCREMENT REVENUE BONDS - THE BRYANT STREET PROJECT

In October 2019, the District issued $17,300 in tax-exempt Tax Increment Revenue Bonds, Series 2019, for the Bryant Street Project. The proceeds of the Series 2019 Bonds will be used to (1) fund public infrastructure costs associated with the Bryant Street Project, a mixed-use development project adjacent to the Rhode Island Metro station, (2) fund capitalized interest on the Bonds, and (3) pay the costs and expenses of issuing and delivering the Bonds. The Series 2019 Bonds bear fixed rate interest ranging from 4.00% to 5.00% and have a final maturity date of June 1, 2043. The interest and principal on the Bonds are payable from the incremental property and sales taxes from the Bryant Street development, and from the Downtown TIF, if there is a shortfall of incremental tax revenue.

E. PILOT REVENUE NOTE AMENDMENT - THE YARDS PROJECT

In December 2019, the District issued an amended PILOT Revenue Note, Series 2014 (The Yards Project) to amend a Continued Covenants Agreement dated December 18, 2014. The amended Series 2014 Note which increased the original Note amount of $34,800 to $62,800, was issued in accordance with the provisions of the Home Rule Act and the Payment in Lieu of Taxes Revenue Bonds Southeast Federal Center Project Approval Resolution of 2006, as modified by the Southeast Federal Center Payment in Lieu of Taxes Revision Emergency Approval Resolution of 2007. Series 2014 was issued to reimburse Forest City SEFC, LLC for certain development costs of public infrastructure within the Southeast Federal Center Project area. The amended Note matures on December 17, 2024 and bears interest at 83.00% of the LIBOR 30-day index plus 1.00% or the maximum market rate. The draw-down structure and use of proceeds terms of the Note remained unchanged.