NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2020

(Dollar amounts expressed in thousands unless specifically disclosed)

Notes to the Basic Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT

General Operations

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

On January 2, 1975, Congress granted the District a Home Rule Charter, which became effective through the enactment of the Home Rule Act. Pursuant to its charter, the District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a Budget Request Act, becomes law unless Congress and the President of the United States disapprove 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 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 financial reporting entity of the District 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.
- The District holds majority equity interest, which does not meet the definition of investment in the entity.

Organizations meeting the above criteria are included in the financial reporting entity of the District 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 five discretely presented component units in its reporting entity: Health Benefit Exchange Authority, Washington Convention and Sports Authority, District of Columbia Green Finance 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.

District of Columbia Green Finance Authority

A financial benefit/burden relationship exists between the District of Columbia Green Finance Authority (Green Finance Authority) and the District because

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the District provides financial support to the Green Finance Authority through annual transfers and additional funding from the DC Department of Energy and Environment.

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).

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
https://eventsdc.com

District of Columbia Green Finance Authority
Chief Executive Officer
c/o Tiber Hudson
Attorney for Green Finance Authority
1900 M Street, NW, 3rd Floor
Washington, DC 20036
https://dcgreenbank.org

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 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. The Tobacco Corporation, which is legally separate from the District, was established to purchase all of the rights, title, and interest of the District in the Master Settlement Agreement executed by participating cigarette manufacturers, states and other jurisdictions. The Tobacco Corporation issued bonds in fiscal year 2001 to finance the purchase of the District securitized rights, 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

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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; D.C. Code § 44-951.01 et. seq.) to provide community-centered health care east of the Anacostia River. The District is the sole owner of the Not-for-Profit Hospital Corporation; therefore, the District provides financial support to the Not-for-Profit Hospital Corporation to help sustain its operations, creating a financial benefit/burden relationship between the District and the Not-for-Profit Hospital Corporation. In addition, the District is able to impose its will on the Not-for-Profit Hospital Corporation because the District has the ability to modify or approve the Not-for-Profit Hospital Corporation's budget. The Not-for-Profit Hospital Corporation is a blended component unit because: (a) it is organized as a not-for-profit corporation and (b) the District is its sole owner.

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

District of Columbia Tobacco Settlement Financing Corporation
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, NW, Suite 200
Washington, DC 20004

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). The Mayor, with the consent and advice of the Council, appoints a majority of the voting members of these organizations' governing boards. However, the accountability of the District 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; 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, 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, by the Council from among 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 WMATA are presented as disclosures in Note 12 on page 152.

C. BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements report information on all 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures; charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 general activities of the District. The acquisition, use, and balance of the District 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. The main sources of revenue for the Housing Production Trust Fund consists of subsidies from the General Fund and dedicated local tax revenues from deed transfers and recordations. 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 Universal Paid Leave Fund and the Baseball Project; (2) the Debt Service Fund; and (3) one Capital Projects Fund, which is the Highway Trust Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Games 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.

In general, unemployment insurance 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 the provision of inpatient, outpatient, psychiatric, skilled nursing and emergency care services. 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 three fiduciary funds that are discussed as follows.

Pension and Other Postemployment Benefits Funds

The Pension and Other Postemployment Benefits Funds are used to report the activities associated with the payment of benefits to District government retirees. These funds accumulate financial resources for pension benefit payments to eligible District employees 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 GAAP. Accordingly, such information should be read in conjunction with the District financial statements for the year ended September 30, 2019, where summarized information was derived.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the District 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.

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 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Property taxes are levied after the returns are filed. If a taxpayer fails to pay the levied taxes when due, the District will 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.

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 generally not measurable until received, at which time they are recorded as revenue. 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, 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; and (4) a multi-year capital improvements plan by project for all agencies of the District. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Appropriations Acts

The appropriation authority of the District is defined by the Local Budget Act and Federal Portion Budget Request Act (appropriations acts). The appropriation authority is approved by Congress and authorizes the District to incur 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 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 57, include all approved reallocations and other budget changes. This statement reflects budget to actual comparisons at the function (appropriation title) level. Actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown in this statement. A negative expenditure variance in the budgetary comparison statement for a particular function is a violation of the federal Antideficiency Act (31 U.S.C. §§ 1341, 1342, 1349, 1351, 1511-1519); the District of Columbia Anti-Deficiency Act (D.C. Code § 47-355.01 et seq.); and Section 446 of the Home Rule Act (D.C. Code § 1-204.46). In addition, a negative expenditure variance for a particular agency within an appropriation title is also a violation of the D.C. Anti-Deficiency Act.

The appropriations acts specifically identify authorized expenditures but do not specify revenue amounts. The revenue budget is based primarily on the revenue estimates submitted to the President and Congress with the District 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 55 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 87.

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 (e.g., 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, 2020, 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 150.

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.

Most of the cash management pool of the District 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 to 47-351.08), and the District Investment Policy, as adopted in November 2008. As of September 30, 2020, 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 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 GAAP. The three-level hierarchy defined as follow is based on the valuation inputs used to measure the fair value of the asset:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

J. RECEIVABLES AND PAYABLES

Taxes receivable are taxes levied by the District, including interest and penalties on delinquent taxes, which have not been collected, canceled, or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable are amounts owed by customers for goods or services sold. Intergovernmental receivables are amounts owed by other governments to the District.

Accounts payable are amounts owed to vendors for goods or services purchased and received. Intergovernmental payables are amounts owed to other governments.

K. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

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

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “Due To Other Funds” or “Due From Other Funds.” Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “Internal Balances.” Short-term amounts owed between the primary government and a discretely presented component unit are classified as “Due To/From Primary Government” and “Due To/From Component Units” on the Statement of Net Position.

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

L. CAPITAL ASSETS

Capital assets, which include buildings, land, equipment, land improvements, and infrastructure (i.e., roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the government-wide, proprietary fund, and component units’ 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, proprietary fund, 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.

Consistent with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, when the construction of assets is financed through the issuance of debt, interest cost incurred before the end of a construction period is recognized as expenditure in governmental fund statements, and as expense in the government-wide financial statements and proprietary funds, in the period in which the cost is incurred.

Capitalization and Depreciation Policies

An asset that has an original cost in excess of $5 (thousand) per unit and has an expected useful life of two or more years is capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
Buildings	15-60 years
Storm drains	45 years
Infrastructure	20-40 years
Mobile equipment (including street cars)	5-30 years
Improvements other than buildings	5-25 years
Leasehold improvements	10 years, not to exceed term of lease
Equipment and machinery	3-10 years
Furniture and fixtures	5 years
Books	5 years

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 increase net position similar to assets.

N. CAPITAL LEASES

In general, a lease is 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

District policy allows employees to accumulate unused sick leave, with no maximum limitation. Annual (vacation) leave 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 (e.g., leave granted to eligible employees in lieu of paid overtime) that may be accumulated. In calendar year 2020, due to travel and other public health restrictions related to COVID-19, employees were allowed to carry over hours in excess of the 240-hour annual limit. Leave exceeding 240 hours will be restored to a separate leave account for use in calendar years 2021 and 2022.

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, unused sick leave can be used to determine the years of service for an employee. 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 (i.e., 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 and Limitations on Borrowing

Pursuant to Section 603 of the Home Rule Act, no long-term general obligation debt may be issued

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

during any fiscal year that 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 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 as amended (D.C. Law 17-360; D.C. Official Code § 47-335.02), referred to as the Debt Ceiling Act, 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, as defined by the D.C. Code, in the fiscal year 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 CABs 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 District of Columbia Tobacco Settlement Financing Corporation issued the Tobacco CABs in connection with a Master Settlement Agreement. The Tobacco CABs have deferred principal and interest payments. Interest on the Tobacco CABs is also compounded semi-annually and accrues to full value at maturity in 2046 and 2055. For both CABs, accreted interest 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, which has been incurred but not financed, is reported in the government-wide financial statements. Examples of other long-term indebtedness include disability compensation, compensated absences, employee separation incentives, and accreted interest liabilities.

In governmental funds, bond premiums, discounts, and issuance costs are recognized in the current period as other financing sources, other financing uses, and fiscal charges, respectively. However, in the government-wide financial statements, bond premiums and 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.

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 decrease net position similar to liabilities.

R. ADOPTION OF NEW ACCOUNTING STANDARDS

During fiscal year 2020, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- 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. This Statement 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 these financial statements.

- 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 date the equity interest was acquired.

- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the pronouncements including GASB Statement Nos. 84, 91, 92, 93, and implementation Guide Nos. 2017-3, 2018-1, 2019-1, and 2019-2 are postponed by one year. The effective dates of GASB Statement No. 87 and implementation Guide No. 2019-3 are postponed by 18 months.

Implementation of Statement Nos. 89 and 90 had no material impact on the fiscal year 2020 District financial statements.

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 is generally 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.

  As amended by GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019, the District's fiscal year 2021.

- 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.

  As amended by GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019, the District's fiscal year 2021.

- 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.

  As amended by GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019, the District's fiscal year 2021.

- Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; (3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; (4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; (5) measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and (8) terminology used to refer to derivative instruments.

  As amended by GASB Statement No. 95, the requirements of this Statement are effective for

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

reporting periods beginning after December 15, 2019, the District's fiscal year 2021.

- Statement No. 93, *Replacement of Interbank Offered Rates*, addresses certain accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This Statement achieves that objective by: (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; and (6) clarifying the definition of reference rate, as it is used in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended.

  As amended by GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019, the District's fiscal year 2021.

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which GASB defines in this Statement as a PPP in which: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. In addition, this Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, and provides accounting and financial reporting requirements for all other PPPs including those that either meet the definition of a SCA or are not within the scope of Statement 87, as amended. Moreover, this Statement provides guidance for accounting and financial reporting for availability payment arrangements (APAs); which are defined in this Statement as arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, the District fiscal year 2023.

- Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement: (1) defines a SBITA as a contract that conveys control of the right to use another party's (SBITA vendor) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, the District fiscal year 2023.

- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, requires the following: (1) for purposes of determining whether a primary government is financially accountable for a potential component unit, certain exceptions apply, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board, if the primary government performs the duties that a governing board typically would perform; (2) the financial burden criterion in paragraph 7 of Statement No. 84 be applicable to only defined benefit pension plans and defined benefit OPEB plans that are

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively; (3) Section 457 plan be classified as either a pension plan or other employee benefit plan depending on whether the plan meets the definition of a pension plan; and (4) Statement 84, as amended, be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, the District fiscal year 2022.

The District has not determined the impact, if any, that the implementation of Statement Nos. 84, 87, 91, 92, 93, 94, 96, and 97 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 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

Net position, for government-wide reporting, proprietary funds, and fiduciary funds is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

Fund balance in governmental fund statements is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. 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, 2020, the nonspendable fund balance of the District included:

Inventory

This portion of the fund balance represents amounts not available for appropriation or expenditure because the underlying asset (i.e., 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 (e.g., 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, 2020, the restricted fund balance of the District included:

Emergency and Contingency Cash Reserves

This portion of the fund balance represents amounts that, in accordance with Congressional 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 emergency and contingency cash reserves of the District is presented in the Minimum Fund Balance Policies section on page 84.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Special Fund; Credit Enhancement Fund established for DC public charter schools; resources collected for Pepco Cost-Sharing Fund for the District of Columbia Power Line Undergrounding (DC PLUG); and Stormwater Permit Compliance Enterprise Fund established for reducing stormwater pollution.

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 categorized 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 used for specific purposes pursuant to limitations imposed by formal action of the highest level of decision-making authority of the District. 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 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, 2020, the committed fund balance of the District included:

Cash Flow Reserve

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

Fiscal Stabilization Reserve

This portion of the fund balance is committed to purposes permitted for use of the Contingency Reserve Fund. Information about the fiscal stabilization reserve of the District is presented in the Minimum Fund Balance Policies section on page 84.

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 2021 budget approved by the Council.

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 tax revenue streams of the District 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 unassigned 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pay-as-you-go Capital Projects

This portion of the fund balance, which represents 50% of all unassigned amounts in the fund balance of the General Fund, is reserved for Pay-as-you-go (Paygo) 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.

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 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 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 Mayor, the Council, and the Chief Financial Officer are responsible for managing the financial resources of the District. In fulfilling their respective responsibilities, the Mayor, Council, or CFO, 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, 2020, the District did not have assigned fund balance.

Unassigned Fund Balance

This category includes resources which cannot be classified in one of the other four categories. 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, 2020, the unassigned fund balance of the District included:

Federal and Private Resources

This portion of the fund balance relates to Federal expenditures incurred but not yet collected.

Additional information about fund balances of the District is presented in **Table N10-1** on page 150.

Minimum Fund Balance Policies

Restricted Fund Balances

Through Congressional mandate, established by Section 450A of the Home Rule Act, the District is required to maintain cash reserves totaling 6.00% of the previous fiscal year's General Fund actual local expenditures, less debt service cost. The 6.00% is comprised of a contingency cash reserve of 4.00% and an emergency cash reserve of 2.00%. 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. Examples of events applicable to the contingency cash reserve include: expenses associated with unforeseen weather conditions or other natural disasters; unexpected obligations created by federal law or new public safety or health needs; 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 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. Examples of events applicable to the emergency cash reserve include natural disaster or calamity, or unexpected obligations by federal law. The emergency cash reserve fund may also be used in the event that the Mayor declares a State of Emergency. However, the emergency cash reserve fund may not be used to fund: (a) any department, agency, or office of the District 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.

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 Mayor uses the fiscal stabilization reserve 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 CFO may use the fiscal stabilization reserve account to cover cash flow needs. Amounts used must 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 General Fund operating expenditures for that year.

Cash Flow Reserve

The CFO may use the cash flow reserve to cover cash flow needs. When these 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 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 CAFR, the CFO must commit 50% of the unassigned end-of-year fund balance to each reserve, or 100% of the end-of-year unassigned fund balance to the reserve that has not reached full capacity, to fully fund the reserves to the extent allowed by the end-of-year fund balance. If Congress takes action to reduce the funding limits for the contingency cash reserve and the emergency cash reserve, the Council has legally mandated that the fiscal stabilization reserve is to 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 Paygo 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. POSTEMPLOYMENT BENEFITS

Defined Benefit Pension Plans

District full-time employees receive pension benefits through the federally administered Civil Service Retirement System (CSRS), the Social Security System, or the District Retirement Funds. The District of Columbia Retirement Board (DCRB or Board) administers the District 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 137 through 144.

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 and 5.50% for detention officers each pay period. Contributions and earnings vest incrementally after two years of service, and fully, after five years of service. 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 137 through 144.

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 8 and pursuant to D.C. Code 1-621.09, 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. Information regarding OPEB is presented in Note 9 on pages 145 through 149.

V. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to use estimates and make assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the basic financial statements. The use of estimates may also affect the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from the estimates used.

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds Balance Sheet includes a reconciliation between 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 54.

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 56.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

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

Table N1-2
Reconciliation of Budgetary Basis to GAAP Basis ($000s)

	General Fund	Federal and Private Resources
Excess of revenues and other sources over expenditures and other uses - budgetary basis	$ 552,822	$ (179,844)
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	32,218	-
Transfers/Reclassifications	42,698	(8,934)
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(621,220)	-
Excess (deficit) of revenues and other sources over (under) expenditures and other uses - GAAP basis	**$ 6,518**	**$ (188,778)**

Y. RESTATEMENT

Component Units

Prior Period Adjustment

Washington Convention and Sports Authority

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB Statement No. 87 are effective for fiscal years beginning after June 15, 2021. However, the Washington Convention and Sports Authority (WCSA) applied GASB Statement No. 87 for two of its new leases while the older leases were still accounted for using the old lease standards. To address this inconsistency, WCSA reverted the accounting for the two leases to the old standard in fiscal year 2020, and the net position was restated. The effect of this correction was an increase in the net position on October 1, 2019, by $540.

Change in Accounting Principle

Housing Finance Agency

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement requires a single method of reporting conduit debt obligations by issuers and eliminates diversity in reporting. It 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 effective date of the Statement is reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Housing Finance Agency elected early application and adopted GASB Statement No. 91 retrospectively during the year ended September 30, 2020. Consequently, the amounts reported for the year ended September 30, 2019 have been revised to exclude the assets and liabilities of the conduit debt program as previously reported. The effect of this change in accounting principle was a decrease in the net position on October 1, 2019, by $9,882.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Table N1-3 presents the prior period adjustment and the cumulative effect of the change in accounting principle.

Table N1-3
Restatement ($000s)

	Washington Convention and Sports Authority	Housing Finance Agency	Total
Net position at October 1, 2019, as previously reported	$ 453,424	$ 141,232	$ 594,656
Prior period adjustment	540	-	540
Cumulative effect of change in accounting principle	-	(9,882)	(9,882)
Net position at October 1, 2019, as restated	**$ 453,964**	**$ 131,350**	**$ 585,314**

NOTE 2. CASH AND INVESTMENTS

A. CASH

The District 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, 2020, 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 name of the District, in accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56). As of September 30, 2020, the carrying amount of cash and cash equivalents was $4,993,552 for the primary government, $200,508 for the fiduciary funds, and $178,667 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 anticipated daily cash requirements of the District, 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 Cash and Investment Management Policy of the District, adopted during November 2008. The investment policy of the District 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 2020, the investments of the District (other than those held by the District Retirement Funds, the OPEB Fund and the D.C. Library Trust Fund) consisted primarily of collateralized certificates of deposit, U.S. Treasury securities, and repurchase agreements.

Table N2-1 presents the cash, cash equivalents and investment balances of the District as of September 30, 2020.

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

	Exhibit 1-a			Exhibit 4-a				
	Primary Government	Component Units	Total Government Wide	Pension/ OPEB Trust Funds	Private-Purpose Trust Fund	Agency Funds	Total Fiduciary Funds	Total
Cash and cash equivalents	$ 2,265,681	$ 105,703	$ 2,371,384	$ -	$ -	$ -	$ -	$ 2,371,384
Investments	-	215,243	215,243	-	-	-	-	215,243
Cash and cash equivalents (restricted)	2,727,871	72,964	2,800,835	122,535	7,434	70,539	200,508	3,001,343
Investments (restricted)	117,881	431,516	549,397	10,540,742	805,684	-	11,346,426	11,895,823
Total	**$ 5,111,433**	**$ 825,426**	**$ 5,936,859**	**$ 10,663,277**	**$ 813,118**	**$ 70,539**	**$ 11,546,934**	**$ 17,483,793**

NOTE 2. CASH AND INVESTMENTS

Table N2-2 presents the District's cash, cash equivalents and investment balances by category as of September 30, 2020.

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

	Primary Government	Fiduciary Funds	Component Units	Total
Cash and cash equivalents	$ 4,993,552	$ 200,508	$ 178,667	$ 5,372,727
Investments				
U.S. government securities	809	-	10,987	11,796
U.S. treasury securities	49,974	-	13,155	63,129
Certificates of deposit	50,000	-	25,434	75,434
Mortgage-backed securities	4,157	-	16,627	20,784
Guaranteed investment contracts	-	196,839	-	196,839
Repurchase agreements	11,155	-	32,821	43,976
Exchange traded funds	1,609	-	-	1,609
Alternative investments	-	-	3,993	3,993
Commodities	-	36,606	860	37,466
U.S. equity securities	177	6,192,087	46,089	6,238,353
Fixed income securities	-	3,628,039	15,948	3,643,987
Real estate	-	697,516	-	697,516
Private equity	-	595,339	-	595,339
Corporate securities	-	-	37,898	37,898
Investment contracts	-	-	123,246	123,246
Money market funds	-	-	317,999	317,999
Mutual funds	-	-	1,702	1,702
Total investments	117,881	11,346,426	646,759	12,111,066
Total cash, cash equivalents and investment	**$ 5,111,433**	**$ 11,546,934**	**$ 825,426**	**$ 17,483,793**

District Retirement Funds

The District Retirement Funds consist of the District Teachers Retirement Fund (TRF) and the District of Columbia Police Officers and Fire Fighters' Retirement Fund (POFRF). The District of Columbia Retirement Board (DCRB) is authorized to manage and control the investments of the District Retirement Funds. 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, 2020 and 2019.

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

	September 30, 2020	September 30, 2019
Cash and cash equivalents	$ 33,041	$ 76,434
Investments		
Domestic equity	2,359,926	2,284,339
International equity	2,422,003	2,328,879
Fixed income	2,912,034	2,690,008
Real assets	697,516	685,113
Private equity	595,339	465,263
Total investments	8,986,818	8,453,602
Total cash, cash equivalents and investments	**$ 9,019,859**	**$ 8,530,036**

NOTE 2. CASH AND INVESTMENTS

Other Postemployment Benefits Fund

During fiscal year 2020, the District Other Postemployment Benefits (OPEB) Fund maintained certain cash, cash equivalents and investment balances.

Table N2-4 presents the OPEB Fund cash, cash equivalents and investment balances as of September 30, 2020 and 2019.

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

	September 30, 2020	September 30, 2019
Cash and cash equivalents	$ 89,494	$ 111,234
Investments		
Equities	1,011,455	891,542
Debt securities	505,863	472,439
Commodities	36,606	40,423
Total investments	1,553,924	1,404,404
Total cash, cash equivalents and investments	**$ 1,643,418**	**$ 1,515,638**

Deposit and Investment Risks

The District 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 investments are uninsured and unregistered and are held by the counterparty in the name of the Fund. 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 be 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 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 portfolio should be maintained at A or higher. For portfolios that were not individually managed as of September 30, 2020, the credit quality was on par with the index value of "BBB-" or higher.

NOTE 2. CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a financial institution, 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 2020 were collateralized or insured. Collateral for deposits is held in the name of the District by the Federal Reserve and the Bank of New York in a custodial account.

District Retirement Funds

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, through its investment firms, maintains cash and cash equivalent balances which are not required to be collateralized by statute or policy. The OPEB Fund cash, cash equivalents and investments are generally uninsured, unregistered, and are held by the custodian in the name of the Fund. As of September 30, 2020, the OPEB Fund had custodial credit risk exposure totaling $89,494.

Concentration of Credit Risk

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

District of Columbia (Excluding Fiduciary Funds)

The investment policy of the District does not allow for an investment in any single issuer that is in excess of five percent of the District 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, 2020, the District was in compliance with this policy.

District Retirement Funds

DCRB 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, 2020, 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 offsets. 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 investment policy limits the District 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 authorized investments and maturity limits as detailed in the investment policy of the District.

Table N2-5
District Investments and Maturity 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

NOTE 2. CASH AND INVESTMENTS

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 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 full price. Generally, the risk and return of DCRB 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 tasked with managing risks within the scope of their mandate. The Fund also uses an independent consultant to: 1) examine how sensitive the fixed income portfolios underlying assets are to movement in interest rates; and 2) 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, 2020, 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 foreign 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.

Table N2-6 presents the District Retirement Funds investments that were denominated in a currency other than the United States dollar as of September 30, 2020.

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

Foreign currency	Private Equity	Real Estate Equity	Short-Term and Other	Total
Euro	$ 54,245	$ 38,885	$ 711	$ 93,841
Canadian dollar	28,216	-	-	28,216
British pound sterling	14,620	-	-	14,620
Swiss franc	-	-	116	116
Japanese yen	-	-	2	2
Total foreign currency	**$ 97,081**	**$ 38,885**	**$ 829**	**$ 136,795**

NOTE 2. CASH AND INVESTMENTS

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 investments that were denominated in a currency other than the United States dollar as of September 30, 2020.

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

International securities	Short-Term and Cash	Convertible and Fixed Income	Total
Australian dollar	$ (77)	$ 5,827	$ 5,750
Brazilian real	20	(17)	3
British pound sterling	13	14,159	14,172
Canadian dollar	(49)	11,408	11,359
Colombian peso	(1)	230	229
Chinese yuan renminbi	(1)	(165)	(166)
Euro	(911)	59,962	59,051
Indian rupee	(4)	-	(4)
Indonesian rupiah	(16)	-	(16)
Japanese yen	95	28,643	28,738
Malaysian ringgit	23	1,551	1,574
Mexican peso	36	309	345
New Taiwan dollar	(30)	-	(30)
New Zealand dollar	(16)	-	(16)
Norwegian krone	38	-	38
Peruvian nuevo sol	2	395	397
South African rand	18	5,563	5,581
South Korean won	(6)	4,426	4,420
Swedish krona	40	1,160	1,200
Total international securities	**$ (826)**	**$ 133,451**	**$ 132,625**

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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 established a three-level valuation hierarchy for disclosure of fair value measurements, based upon the transparency of inputs to the valuation of an asset or liability, as of the measurement date. The three levels are defined as follows:

- Level 1 - Observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).
- Level 3 - Unobservable inputs (including the assumptions by the District 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.

NOTE 2. CASH AND INVESTMENTS

District of Columbia Investments (Excluding Fiduciary Funds)

Table N2-8 presents District investments measured at fair value as of September 30, 2020.

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

		Fair Value Measurement Using		
	September 30, 2020	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	$ 177	$ 177	$ -	$ -
U.S. treasury securities	49,974	49,974	-	-
Exchange-traded funds				
U.S. government bond funds	314	314	-	-
International equity funds	222	222	-	-
U.S. equity funds	255	255	-	-
Corporate bond funds	689	689	-	-
High yield bond funds	79	79	-	-
Commodity funds	50	50	-	-
Total exchange-traded funds	1,609	1,609	-	-
Non exchange-traded funds				
Mortgage-backed securities	4,157	-	4,157	-
Repurchase agreements	11,155	-	11,155	-
Total non exchange-traded funds	15,312	-	15,312	-
Total investments measured at fair value	**$ 67,072**	**$ 51,760**	**$ 15,312**	**$ -**

U.S. Equity Securities

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

U.S. Treasury Securities

U.S. treasury securities typically have quoted market prices in active markets and are classified in Level 1 of the fair value hierarchy.

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 market price is generally maintained close to the ETF end-of-day NAV because of the arbitrage function inherent to the structure of the ETF. A basket of assets that is traded like an index fund is classified in Level 1 of the fair value hierarchy.

Non Exchange-Traded Funds

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**.

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 are 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 inputs in **Table N2-8**.

NOTE 2. CASH AND INVESTMENTS

District Retirement Funds Investments

Table N2-9 presents District Retirement Funds investments measured at fair value as of September 30, 2020.

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

		Fair Value Measurement Using		
	September 30, 2020	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	$ 336,694	$ 328,224	$ 1,128	$ 7,342
International equity	202,171	14,391	-	187,780
Fixed income	664,833	-	322,853	341,980
Real assets	393,376	-	-	393,376
Private equity	595,339	-	-	595,339
Total investments by fair value level	2,192,413	**$ 342,615**	**$ 323,981**	**$ 1,525,817**
Investments measured at the net asset value (NAV)				
Domestic equity	2,023,232			
International equity	2,219,832			
Fixed income	2,247,201			
Real assets	304,140			
Total investments measured at the net asset value (NAV)	6,794,405			
Total investments measured at fair value	**$ 8,986,818**			

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. 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.

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.

NOTE 2. CASH AND INVESTMENTS

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

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

	September 30, 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
Domestic equity	$ 2,023,232	$ -	Daily	None
International equity	2,219,832	-	Monthly	2-5 days
Fixed income	2,247,201	-	Daily, monthly	3-30 days
Real assets	304,140	-	None	N/A
Total investments measured at the NAV	**$ 6,794,405**	**$ -**		

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 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 estate funds as part of its long-term asset allocation plan for private markets. It is fully funded as of September 30, 2020, as presented in **Table N2-10**. This represents global investments in 37 real estate 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.

NOTE 2. CASH AND INVESTMENTS

OPEB Fund Investments

Table N2-11 presents OPEB Fund investments measured at fair value as of September 30, 2020, in accordance with the GASB Statement No. 72 valuation hierarchy.

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

		Fair Value Measurement Using		
	September 30, 2020	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	$ 104,803	$ 104,803	$ -	$ -
Consumer retail	58,704	58,704	-	-
Information technology	69,809	69,809	-	-
Financial institutions	59,071	59,071	-	-
Healthcare	47,739	47,739	-	-
International equities (by Industry)				
Industrials	1,751	1,751	-	-
Consumer retail	6,665	6,665	-	-
Financial institutions	1,771	1,771	-	-
Healthcare	4,921	4,921	-	-
Real estate investment trust securities	17,744	17,744	-	-
Total equity securities	372,978	372,978	-	-
Debt securities				
U.S. government issues	88,743	-	88,743	-
Corporate bonds	75,720	-	75,720	-
Credit card/automotive receivables	7,747	-	7,747	-
U.S. state and local government bonds	1,801	-	1,801	-
Mutual funds	34,375	34,375	-	-
International debt securities				
Government issues	100,365	-	98,913	1,452
Corporate bonds	60,423	-	60,423	-
Credit card/automotive receivables	1,227	-	1,227	-
Other government bonds	6,336	-	6,336	-
Total debt securities	376,737	34,375	340,910	1,452
Commodity investments				
Gresham commodities fund	36,606	-	-	36,606
Total commodity investments	36,606	-	-	36,606
Total investments by fair value level	786,321	**$ 407,353**	**$ 340,910**	**$ 38,058**
Investments measured at the Net Asset Value (NAV)				
SSgA emerging market index fund	103,812			
SSgA Russell 1000 growth fund	248,701			
SSgA Russell 2000 index fund	85,347			
SSgA U.S. aggregate bond index fund	94,703			
Baillie Gifford international growth equity	133,080			
Artisan international value equity	67,537			
BlueBay emerging market bond	34,423			
Total investments measured at the NAV	767,603			
Total investments measured at fair value	**$ 1,553,924**			
Investment derivative instruments				
Interest rate swaps	$ (303)	$ -	$ (303)	$ -
Credit defaults swaps	324	-	324	-
Foreign exchange forwards	425	-	425	-
Total investment derivative instruments	**$ 446**	**$ -**	**$ 446**	**$ -**

NOTE 2. CASH AND INVESTMENTS

Investments Measured at Fair Value

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

Equity Securities and Mutual Funds

These investments are classified in 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 are classified in Level 1 of the fair value hierarchy.

Real Estate Investment Trust Securities

These investments are classified in Level 1 of the fair value hierarchy because they are actively traded securities.

Debt Securities

These investments are classified in Level 2 of the fair value hierarchy. Investments are valued using market pricing and other observable market inputs for similar securities from several 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 in Level 3 of the fair value hierarchy. Collateralized auto loan securities, which are included in collateralized debt obligations, are classified as Level 2 inputs; and are valued using consensus pricing. The mutual funds held in bonds are classified in Level 1 of the fair value hierarchy.

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 allow, at their sole discretion. 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 Fund 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 categorization of the financial instruments within the valuation hierarchy is based upon Level 2 inputs.

Investments Measured at the NAV

This investment category consists of seven funds that include relative return and absolute return type funds. The absolute return type funds employ dynamic trading strategies aimed at achieving absolute returns. Certain investment funds do not redeem shares daily. 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.

NOTE 2. CASH AND INVESTMENTS

Table N2-12 presents additional information about the nature of investments measured at the net asset value per share for the OPEB Fund.

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

	September 30, 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
SSgA emerging market index fund	$ 103,812	$ -	Monthly	5 days
SSgA Russell 1000 growth fund	248,701	-	Daily	N/A
SSgA Russell 2000 index fund	85,347	-	Daily	N/A
SSgA U.S. aggregate bond index fund	94,703	-	Daily	N/A
Baillie Gifford international growth equity	133,080	-	Monthly	5 days
Artisan international value equity	67,537	-	Monthly	5 days
BlueBay emerging market bond	34,423	-	Monthly	30 days
Total investments measured at the NAV	**$ 767,603**	**$ -**		

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 Morgan Stanley Capital International (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 1000 Growth Fund

This fund is managed using an "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Russell 1000 Growth Index over the long term. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may purchase securities in their initial public offerings (IPOs). In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. The strategy may be to at times purchase or sell index futures contracts, options on those futures, or engage in other transactions involving the use of derivatives, in lieu of investing directly in the securities making up the Index.

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.

NOTE 2. CASH AND INVESTMENTS

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 net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes and is 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 investment team seeks to invest in companies with histories of generating strong, free cash flow, and 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 selection process focusing on value in external credit spreads, local currencies, and local interest rates. Emphasis is given to avoiding deteriorating credits and one-off currency devaluations. The fund has a focus on absolute returns. Both their long-only and alternative strategies use short exposures (either directly or via credit derivatives) as one of several techniques designed to deliver absolute-style returns. There is a strong emphasis on capital preservation and the use of credit derivatives helps 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 derivative instruments outstanding for the District as of September 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended.

Table N2-13
District Derivative Instruments Outstanding as of September 30, 2020 ($000s)

	Changes in Fair Value		Fair Value at September 30, 2020		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2007 AWC Swap	Deferred outflows	$ 438	Swap	$ (802)	$ 19,585
2016C Swap (formerly Series 2002-2008C, then 2014B)	Deferred outflows	(197)	Swap	(2,823)	19,985
2016C Swap (formerly Series 2002-2008C, then 2014B)	Deferred outflows	(1,773)	Swap	(25,405)	179,865
Derivative instrument liabilities at end of year				**$ (29,030)**	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment revenue	$ (133)	Swap	$ 246	$ 104,605
Derivative instrument assets at end of year				**$ 246**	

District of Columbia Investments (Excluding Fiduciary Funds)

The District is a party to four interest rate swap agreements which are recorded in the financial statements in accordance with GAAP. Consistent with applicable GAAP, all derivative instruments are to be reported in the Statement of Net Position at fair value, and all hedges are to 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 of these four swaps using guidance contained in GASB Statements No. 53 and 72.

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 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.

NOTE 2. CASH AND INVESTMENTS

Objectives and Terms of Hedging Derivative Instruments

Table N2-14 presents the objectives and terms of the hedging derivative instruments outstanding for the District as of September 30, 2020, along with the credit rating of the associated counterparty.

Table N2-14
Objectives and Terms: District Hedging Derivative Instruments Outstanding as of September 30, 2020 ($000s)

Type	Objectives	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps						
2007 AWC Swap	Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds	$ 19,585	09/20/2007	12/01/2021	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)	19,985	10/15/2002	06/01/2027	Pay fixed rate of 3.62%; receive 67% of 1-month LIBOR	A2/BBB+/A
2016C Swap (formerly Series 2002-2008C, then 2014B)	Hedge of changes in cash flows on the Series 2016C Bonds (formerly 2014B Bonds)	179,865	10/15/2002	06/01/2027	Pay fixed rate of 3.62%; receive 67% of 1-month LIBOR	A2/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	104,605	06/02/2003	06/01/2029	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 2. CASH AND INVESTMENTS

Risks

Credit Risk

The interest rate swaps mark-to-market values represent the obligation of the District to the respective counterparties at termination of the swap agreements. 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, 2020, were as presented in **Table N2-14**.

As of September 30, 2020, the District was not exposed to credit risk on the three floating to fixed swaps with an aggregate negative mark-to-market of $29,030 because each of these swaps had a negative mark-to-market value. However, should interest rates change and the mark-to-market value of any of these swaps become positive, the District would be exposed to credit risk in the amount of the positive mark-to-market value. The District was exposed to credit risk on the floating-to-floating interest rate swap with a positive mark-to-market value of $246. Any positive mark-to-market value represents the approximate loss that would be recognized if the counterparty to the District failed to perform as contracted. In each of the District 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 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, 2020, the notional amount of the 2001C/D Swap was $104,605. The District pays the counterparty 67% of LIBOR, and the counterparty pays the District a variable rate as a percentage of the actual LIBOR reset each month. The original swap agreement was executed on December 6, 2001, and the District entered into an enhanced swap agreement on June 2, 2003. The 2001C/D swap matures in June 2029. As of September 30, 2020, this interest rate swap had a fair value of $246.

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. Consequently, as of September 30, 2020, 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 hedging derivative instruments associated 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. 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 2020.

NOTE 2. CASH AND INVESTMENTS

District of Columbia Fiduciary Funds

District Retirement Funds Derivatives

During fiscal year 2020, the investment managers of the District Retirement Funds used various derivative instruments, in accordance with the investment policies of DCRB, to increase potential earnings and/or to hedge against potential losses.

The District Retirement Funds may hold derivative instruments directly via separately managed accounts or indirectly via pooled, commingled, or short-term funds. Information regarding risks associated with indirect holdings may not be disclosed.

Table N2-15 presents a list of the District Retirement Funds derivatives as of September 30, 2020.

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

Type of Derivative	Market Value at September 30, 2020
Forwards	$ 92,236
Liabilities - forwards	(90,897)
Liabilities - swaps	(32,966)
Rights/warrants	9,417
Swaps	19,215
Total	**$ (2,995)**

Additional information regarding the District Retirement Funds derivative holdings is presented in the separately issued audited financial statements of DCRB, which may be obtained from:

District of Columbia Retirement Board
900 7th Street, NW
Washington, DC 20001
Website: https://dcrb.dc.gov

Other Postemployment Benefits Fund Derivatives

In accordance with the OPEB Fund 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 fund. 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 2020, the OPEB Fund invested directly in forward currency contracts.

As of September 30, 2020, 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 that 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 OPEB 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 counterparty may terminate the hedging derivative instrument. 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 "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, 2020. The net unrealized gain on foreign currency spot and forward contracts for the year ended September 30, 2020 was $424.

NOTE 2. CASH AND INVESTMENTS

Table N2-16 presents a list of the OPEB Fund derivatives aggregated by type as of September 30, 2020.

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

	Changes in Fair Value		Fair Value at September 30, 2020		
Type of Derivative	Classification	Amount	Classification	Amount	Notional
Credit default swaps bought	Investment revenue	$ 435	Swaps	$ 506	$ 2,465
Credit default swaps written	Investment revenue	(1,653)	Swaps	(182)	2,853
Fixed income futures long	Investment revenue	405	Futures	-	99,916
Fixed income futures short	Investment revenue	(95)	Futures	-	(43,131)
Fixed income options bought	Investment revenue	87	Options	-	-
Foreign exchange forwards	Investment revenue	(1,713)	Forwards	425	142,110
Pay fixed interest rate swaps	Investment revenue	434	Swaps	123	25,731
Receive fixed interest rate swaps	Investment revenue	(387)	Swaps	(426)	294,623
Total		**$ (2,487)**		**$ 446**	

Additional information regarding OPEB Fund derivative investments is presented in separately issued audited financial statements obtainable from:

Office of Finance and Treasury
1101 4th Street, SW, Suite 850W
Washington, DC 20024

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 2020, the District Retirement Funds did not participate in any security lending transactions.

NOTE 3. RESTRICTED ASSETS

As of September 30, 2020, restricted assets of the primary government, component units, and fiduciary funds totaled $14,897,166. **Table N3-1** presents a summary of the District restricted assets as of September 30, 2020.

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

	Governmental Activities Governmental Funds					
	General	Federal and Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Funds	Total
Bond escrow accounts	$ 391,025	$ -	$ -	$ -	$ -	$ 391,025
Capital projects	-	-	-	639,203	36,878	676,081
Emergency cash reserves	155,645	-	-	-	-	155,645
Contingency cash reserves	311,290	-	-	-	-	311,290
Other	117,695	329,225	143,698	-	577,393	1,168,011
Total	**$ 975,655**	**$ 329,225**	**$ 143,698**	**$ 639,203**	**$ 614,271**	**$ 2,702,052**

	Business-Type Activities Proprietary Funds				
	Office of Lottery and Gaming	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond escrow accounts	$ -	$ -	$ -	$ -	$ 289,323
Unpaid prizes	809	-	809	-	-
University endowment	-	-	-	-	31,386
Benefits	-	142,891	142,891	11,546,934	-
Purpose restrictions	-	-	-	-	183,771
Total	**$ 809**	**$ 142,891**	**$ 143,700**	**$ 11,546,934**	**$ 504,480**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

A. RECEIVABLES

The receivables are valued at their estimated collectible amounts. **Table N4-1** presents the District receivables categorized in various funds as of September 30, 2020.

Table N4-1
Summary of Receivables ($000s)

	General	Federal and 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	$ 503,804	$ -	$ -	$ -	$ 4,590	$ -	$ -	$ -	$ -
Accounts and other	1,230,415	17,360	-	8,931	32,396	5,078	45,465	25,329	30,994
Federal	58	752,082	-	81,078	-	-	84,502	-	2,957
Total gross receivables	1,734,277	769,442	-	90,009	36,986	5,078	129,967	25,329	33,951
Less: allowance for doubtful accounts	850,306	-	-	6,870	-	1	25,784	10,678	-
Total net receivables	**$ 883,971**	**$ 769,442**	**$ -**	**$ 83,139**	**$ 36,986**	**$ 5,077**	**$ 104,183**	**$ 14,651**	**$ 33,951**

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, 2020.

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	$ -	$ -	$ -	$ 22,472	$ 22,472	$ -	$ 22,472
Paygo - Projects financed by the General Fund	-	-	25,945	-	25,945	-	25,945
Capital Improvements Fund	-	-	254,995	-	254,995	-	254,995
Funds for housing projects and services	-	38,645	-	-	38,645	-	38,645
Operating subsidies	-	-	-	-	-	22,137	22,137
Total General Fund	-	38,645	280,940	22,472	342,057	22,137	364,194
Federal and Private Resources							
Revenues generated from indirect cost recovery	500	-	-	-	500	-	500
Not-for-Profit Hospital emergency funding	-	-	-	-	-	3,685	3,685
Total Federal and Private Resources	500	-	-	-	500	3,685	4,185
General Capital Improvements							
Unspent Capital Paygo transferred back to the General Fund	19,742	-	-	-	19,742	-	19,742
Capital subsidies	-	-	-	-	-	8,857	8,857
Capital transfer-new community initiative	-	-	-	-	-	-	-
Total General Capital Improvements	19,742	-	-	-	19,742	8,857	28,599
Nonmajor Governmental Funds							
Excess collections above TIF debt service requirements	6,894	-	-	-	6,894	-	6,894
Funds for baseball debt service payments	35,532	-	-	55,120	90,652	-	90,652
Total Nonmajor Governmental Funds	42,426	-	-	55,120	97,546	-	97,546
Total Governmental Funds	62,668	38,645	280,940	77,592	459,845	34,679	494,524
Office of Lottery and Gaming	38,060	-	-	-	38,060	-	38,060
Total Interfund Transfers	**$ 100,728**	**$ 38,645**	**$ 280,940**	**$ 77,592**	**$ 497,905**	**$ 34,679**	**$ 532,584**

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, 2020. 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	$ 2,300	$ 13,680	$ 569,822	$ 17,196
Federal and private resources	-	2,246	15,038	464,254
Housing production trust	-	-	3,881	-
General capital improvements	-	6,043	-	83,046
Nonmajor funds				
Tax increment financing	1,000	-	1,395	1,000
PILOT special revenue	-	-	3,467	-
Baseball special revenue	665	-	874	-
Universal paid leave fund	-	-	-	2,618
Proprietary funds				
Unemployment compensation	-	-	929	17,499
Not-for-Profit Hospital Corporation	-	-	-	9,790
Office of lottery and gaming	-	-	-	3
Component unit				
Health Benefit Exchange Authority	-	616	-	-
Washington Convention and Sports Authority	5,277	3,323	-	-
District of Columbia Green Finance Authority	7,000	-	-	-
Housing Finance Agency	1,644	-	-	-
University of the District of Columbia	8,048	26	-	-
Total	**$ 25,934**	**$ 25,934**	**$ 595,406**	**$ 595,406**

Note:
The above balances represent the impact of transactions among the funds and component units, which will be settled during fiscal year 2021.

NOTE 5. CAPITAL ASSETS

A. CAPITAL OUTLAYS

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled $1,808,426 during the fiscal year ended September 30, 2020. 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 capital assets by class for governmental activities of the primary government.

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

Asset class	Balance October 1, 2019	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2020
Non-depreciable						
Land	$ 964,409	$ -	$ -	$ (2,116)	$ 16,494	$ 978,787
Construction in progress	1,676,343	1,205,425	-	-	(1,176,214)	1,705,554
Total non-depreciable	2,640,752	1,205,425	-	(2,116)	(1,159,720)	2,684,341
Depreciable						
Infrastructure	7,035,633	-	-	-	456,363	7,491,996
Buildings	10,061,187	34,920	-	-	645,772	10,741,879
Equipment	1,929,056	57,385	-	(22,718)	57,585	2,021,308
Total depreciable	19,025,876	92,305	-	(22,718)	1,159,720	20,255,183
Less accumulated depreciation						
Infrastructure	(3,171,162)	(187,618)	-	-	-	(3,358,780)
Buildings	(2,493,620)	(206,356)	-	-	-	(2,699,976)
Equipment	(1,467,407)	(118,990)	-	21,335	-	(1,565,062)
Total accumulated depreciation	(7,132,189)	(512,964)	-	21,335	-	(7,623,818)
Total depreciable, net	11,893,687	(420,659)	-	(1,383)	1,159,720	12,631,365
Net governmental activities capital assets	**$ 14,534,439**	**$ 784,766**	**$ -**	**$ (3,499)**	**$ -**	**$ 15,315,706**

C. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY FUNCTION

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

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

Function	Balance October 1, 2019	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2020
Governmental direction and support	$ 2,965,068	$ 914	$ -	$ (672)	$ 28,281	$ 2,993,591
Economic development and regulation	640,422	447	-	(2,207)	13,520	652,182
Public safety and justice	1,246,072	29,109	-	(13,933)	13,005	1,274,253
Public education system	5,581,071	15,655	-	(1,942)	502,340	6,097,124
Human support services	1,671,835	384	330	(374)	139,897	1,812,072
Public works	7,885,817	45,796	(330)	(5,706)	479,171	8,404,748
Construction in progress	1,676,343	1,205,425	-	-	(1,176,214)	1,705,554
Total	**$ 21,666,628**	**$ 1,297,730**	**$ -**	**$ (24,834)**	**$ -**	**$ 22,939,524**

Note:
Balance October 1, 2019: Due to reclassifications between functions, amounts may not match the amounts indicated in the CAFR table from FY 2019.

NOTE 5. CAPITAL ASSETS

D. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

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

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

Function	Balance October 1, 2019	Additions	Transfers	Dispositions	Balance September 30, 2020
Governmental direction and support	$ 1,280,887	$ 61,508	$ -	$ (191)	$ 1,342,204
Economic development and regulation	69,690	9,239	-	(89)	78,840
Public safety and justice	563,220	42,982	-	(13,272)	592,930
Public education system	1,182,286	121,340	-	(1,942)	1,301,684
Human support services	479,107	42,838	-	(259)	521,686
Public works	3,556,999	235,057	-	(5,582)	3,786,474
Total	**$ 7,132,189**	**$ 512,964**	**$ -**	**$ (21,335)**	**$ 7,623,818**

Note:
Balance October 1, 2019: Due to reclassifications between functions, amounts may not match the amounts indicated in the CAFR table from FY 2019.

E. BUSINESS-TYPE ACTIVITIES: CAPITAL ASSETS

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

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

Asset class	Balance October 1, 2019	Additions	Transfers/ Dispositions	Balance September 30, 2020
Non-depreciable				
Land	$ 8,100	$ -	$ -	$ 8,100
Construction in progress	840	737	-	1,577
Total non-depreciable	8,940	737	-	9,677
Depreciable				
Buildings and improvements	77,601	5,906	-	83,507
Equipment	58,191	8,096	(99)	66,188
Total depreciable	135,792	14,002	(99)	149,695
Less accumulated depreciation				
Buildings and improvements	(31,558)	(6,590)	-	(38,148)
Equipment	(44,325)	(6,763)	-	(51,088)
Total accumulated depreciation	(75,883)	(13,353)	-	(89,236)
Total depreciable, net	59,909	649	(99)	60,459
Net capital assets	**$ 68,849**	**$ 1,386**	**$ (99)**	**$ 70,136**

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Table N5-5 presents the changes in construction in progress by function for governmental activities of the primary government.

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

Function and sub-function	Balance October 1, 2019	Additions/ Adjustments	CIP Transfers/ Dispositions	Balance September 30, 2020
Primary government				
Governmental direction and support				
Finance	$ 3,443	$ 13,756	$ -	$ 17,199
Legislative	5,168	180	-	5,348
Administrative	63,549	60,285	(28,281)	95,553
Executive	485	-	-	485
Elections	-	227	-	227
Total	72,645	74,448	(28,281)	118,812
Economic development and regulation				
Community development	140,616	18,831	(8,714)	150,733
Economic regulation	2,025	(33)	-	1,992
Employment services	-	11,875	(4,806)	7,069
Total	142,641	30,673	(13,520)	159,794
Public safety and justice				
Police	8,451	14,629	(9,695)	13,385
Fire	3,690	13,540	(3,074)	14,156
Corrections	2,719	2,244	(235)	4,728
Protection	-	105	-	105
Total	14,860	30,518	(13,004)	32,374
Public education system				
Schools	169,045	383,067	(310,953)	241,159
Culture	157,007	61,491	(191,387)	27,111
Total	326,052	444,558	(502,340)	268,270
Human support services				
Health and welfare	147,844	95,753	(61,273)	182,324
Recreation	67,806	63,865	(76,602)	55,069
Human relations	350	2,623	(2,022)	951
Total	216,000	162,241	(139,897)	238,344
Public works				
Environmental	904,145	462,987	(479,172)	887,960
Total	904,145	462,987	(479,172)	887,960
Total construction in progress	**$ 1,676,343**	**$ 1,205,425**	**$ (1,176,214)**	**$ 1,705,554**

Note:
Balance October 1, 2019: Due to reclassifications between functions and subfunctions, amounts may not match the amounts indicated in the CAFR table from FY 2019.

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, 2019	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2020
Non-depreciable					
Land	$ 12,814	$ -	$ -	$ -	$ 12,814
Artwork	3,222	-	-	-	3,222
Construction in progress	15,618	25,060	(196)	(21,042)	19,440
Total non-depreciable	31,654	25,060	(196)	(21,042)	35,476
Depreciable					
Buildings and improvements	1,400,207	36,920	(3)	21,042	1,458,166
Equipment	206,249	9,730	-	-	215,979
Total depreciable	1,606,456	46,650	(3)	21,042	1,674,145
Less accumulated depreciation					
Buildings and improvements	(674,456)	(48,864)	3	-	(723,317)
Equipment	(102,277)	(19,340)	-	-	(121,617)
Total accumulated depreciation	(776,733)	(68,204)	3	-	(844,934)
Total depreciable, net	829,723	(21,554)	-	21,042	829,211
Net capital assets	**$ 861,377**	**$ 3,506**	**$ (196)**	**$ -**	**$ 864,687**

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, 2019	Additions	Transfers/ Dispositions	Balance September 30, 2020	Balance October 1, 2019	Additions	Transfers/ Dispositions	Balance September 30, 2020	Balance October 1, 2019	Additions	Transfers/ Dispositions	Balance September 30, 2020
Health Benefit Exchange Authority	$ 122,899	$ -	$ -	$ 122,899	$ (50,629)	$ (12,281)	$ -	$ (62,910)	$ 72,270	$ (12,281)	$ -	$ 59,989
Washington Convention and Sports Authority	1,133,810	17,286	(3)	1,151,093	(559,941)	(39,601)	3	(599,539)	573,869	(22,315)	-	551,554
Housing Finance Agency	7,090	368	-	7,458	(4,515)	(386)	-	(4,901)	2,575	(18)	-	2,557
University of the District of Columbia	374,311	54,056	(196)	428,171	(161,648)	(15,936)	-	(177,584)	212,663	38,120	(196)	250,587
Total	**$ 1,638,110**	**$ 71,710**	**$ (199)**	**$ 1,709,621**	**$ (776,733)**	**$ (68,204)**	**$ 3**	**$ (844,934)**	**$ 861,377**	**$ 3,506**	**$ (196)**	**$ 864,687**

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

The District participates in 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 where 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 supporting the District economic base. As of September 30, 2020, the aggregate outstanding principal amount associated with the Industrial Revenue Bond Program was approximately $5,470,425. Such amounts are not reflected as liabilities of the District in the accompanying government-wide Statement of Net Position as of September 30, 2020.

B. ENTERPRISE ZONE FACILITY BONDS

From January 1, 1998 to December 31, 2011, businesses located in the District of Columbia Enterprise Zone were eligible to obtain up to $15 million of tax-exempt financing (except for eligible 501(c)(3) organizations which were allowed to borrow unlimited amounts) for projects that will contribute to the health, education, safety, welfare, or creation/preservation of jobs, for residents of the District, or to enhance economic development in the District of Columbia. 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, 2020, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $21,658. Such amounts are not reflected as liabilities of the District in the accompanying government-wide Statement of Net Position as of September 30, 2020.

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. As of September 30, 2020, the aggregate outstanding principal amount for TIF Notes was $51,371. Such 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, 2020.

Downtown Retail Priority Area - Forever 21

Since March 2006, the Mayor has executed several TIF Notes under the Downtown Retail Priority Area Program which have been repaid over the years. The Forever 21 Retail Project 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.

DC Arena L.P. Project

In December 2007, the District issued $50,000 in taxable financing notes to finance upgrades associated with the DC Arena L.P. Project 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. Notes are 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

Georgia Avenue Retail Project

In September 2009, the Mayor executed the first Great Streets TIF, the Georgia Avenue Retail Project Great Streets Initiative Tax Increment Revenue 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.

Howard Theatre Project

In May 2011, the Mayor executed the Howard Theatre TIF Note in the amount of $4,000. The interest rate on the Note is 6.50%, and the Note has a maturity date of May 26, 2021.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N6-1 presents a summary of the original loan amounts and terms of the TIF Notes.

Table N6-1
TIF Notes ($000s)

Issuance Date	Description	Original Amount	Terms
February 2011	Forever 21 Retail Project, Series 2011	$ 4,985	Maturity date: February 1, 2021; interest rate: 6.00%
December 2007	DC Arena L.P. Project (Verizon Center), Series 2007A and 2007B	50,000	Maturity dates: August 15, 2047 and August 15, 2027; interest rates: 6.73% and 6.58%
September 2009	Georgia Avenue Retail Project, Series 2009	1,935	Maturity date: June 1, 2035; interest rate: 5.00%
May 2011	Howard Theatre Project, Series 2011	4,000	Maturity date: May 26, 2021; interest rate: 6.50%

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. As of September 30, 2020, the aggregate outstanding principal amount for PILOT Notes was $6,124. Such 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, 2020.

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 Metro Plaza Project 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 and terms of the PILOT Revenue Notes.

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

Issuance Date	Description	Original 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, 2020, the monthly installments were $349. The installment will increase to $356 in June 2021.
- 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, 2020, the monthly installment was $222. This installment increased to $229 on October 1, 2020.

F. NONEXCHANGE FINANCIAL GUARANTEES

Credit Enhancement Facility Agreements

The District, through its Office of the State Superintendent of 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, 2020, the total outstanding guaranteed amount under credit enhancement facility agreements was $5,730.

If a public charter school defaults on the monetary obligations associated with its credit enhancement facility agreement, the District may, at its sole discretion, cure the default on behalf of the school. 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 2020, 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, 2020, no liability was recorded in connection with these agreements.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N6-3 presents a summary of Credit Enhancement Facility Agreements provided by OSSE.

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

School	Type of Obligation Guaranteed	Beneficiary	Guarantee Amount	Effective Date	Termination Terms	Outstanding Guarantee Amount at September 30, 2020
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. School located at 820 26th Street, SE, Washington, DC.	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 part of the property located at 5800 8th Street, NW, Washington, DC	Eagle Bank	1,000	06/21/2017	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
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	09/12/2018	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 guarantee amount						**$ 5,730**

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 Downtown TIF Area, if necessary.

Table N6-4 presents the downtown TIF Area projects with financial guarantees and their estimated future outflows as of September 30, 2020.

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	Original Amount	Estimated Future Outflows at September 30, 2020*
DC Arena L.P. Project (Verizon Center), Series 2007A and 2007B	TIF Note	December 2007	08/15/2047	$ 50,000	$ 3,481
Howard Theatre	TIF Note	May 2011	05/26/2021	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 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. If 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. As of September 30, 2020, the total outstanding guaranteed amount under the cash collateral agreements by DCCSP was $4,996.

During fiscal year 2020, the District did not make any payments related to DCCSP. 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, 2020, no liability was recorded in connection with these cash collateral deposit agreements.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N6-5 presents additional information regarding the financial guarantees provided through the District of Columbia Collateral Support Program.

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

Borrower	Lender	Effective Date	Termination/ Maturity Date	Guarantee Amount	Outstanding Guarantee Amount at September 30, 2020
Line of credit					
Brougton Construction Company, LLC	Industrial Bank	04/01/2013	08/01/2029	$ 750	$ 630
First Choice Masonry, Inc.	Fulton Bank	11/01/2019	05/20/2022	500	500
Forney Enterprises, Inc.	Industrial Bank	04/15/2013	01/02/2022	500	474
Lydia's House in South East	Industrial Bank	04/03/2017	07/03/2022	75	75
Solar Solution, LLC	First National Bank	06/10/2016	10/28/2020	1,250	832
SwatchRoom, LLC	FVC Bank	06/20/2016	06/03/2022	150	150
Union Kitchen, LLC	Sandy Spring Bank	10/23/2015	06/03/2022	75	50
Union Kitchen, LLC	Sandy Spring Bank	06/22/2016	06/22/2023	275	245
Term loan					
Baked by Yael, LLC	Sandy Spring Bank	09/15/2014	06/15/2025	188	134
Baked by Yael, LLC	Sandy Spring Bank	06/08/2015	06/08/2025	25	21
David's Stars Child Development Center, Inc.	Latino Economic Development Corporation	09/06/2016	11/15/2021	25	25
Hot Yoga Ivy City, LLC	Washington Area Community Investment Fund, Inc.	11/09/2015	11/09/2020	66	42
Ice Cream Jubilee, LLC	Sandy Spring Bank	09/30/2016	09/30/2022	75	69
Ivy and Coney, LLC	Sandy Spring Bank	04/15/2015	10/07/2020	100	47
Joon Hokim, Inc.	Select Bank and Trust	09/29/2014	10/07/2021	139	134
Somewhere International, LLC	Latino Economic Development Corporation	03/07/2019	03/10/2024	25	25
VOW Transportation, LLC	City First Enterprises	02/28/2017	09/03/2022	21	16
First Choice Masonry, Inc.	Fulton Bank	11/01/2019	05/20/2022	500	500
National Children's Museum	United Bank	10/18/2019	10/01/2022	1,000	1,000
Term loan and line of credit					
Elite Physical Therapy & Wellness Center, Inc.	Industrial Bank	04/27/2015	07/03/2022	61	27
Total outstanding guarantee amount					**$ 4,996**

Note:
Some Termination Maturity Date: Some of the termination or maturity dates had been extended.

NOTE 7. LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES

Table N7-1 presents long-term liabilities for the governmental activities and business-type activities of the District for the year ended September 30, 2020.

Table N7-1
Summary of Long-Term Liabilities Outstanding as of September 30, 2020 ($000s)

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
GOVERNMENTAL ACTIVITIES						
General obligation (GO) bonds						
Publicly offered:						
1998B	04/16/1998	$ 451,635	06/01/2026	4.50% - 6.00%	Refund GO Series 1991A, 1992B, 1994B, 1996A	$ 10,075
2005B	12/15/2005	116,475	06/01/2027	4.00% - 5.25%	Refund GO Series 1994B,1997A, 1998A, 1998B, and 2001B	320
2007B	06/07/2007	251,155	06/01/2030	4.50% - 5.25%	Refund GO Series 2001B, 2003A, 2003B, and 2005A	24,915
2010A	12/22/2010	181,330	06/01/2023	1.91% - 5.92%	Build America Bonds - Finance Capital Expenditures	40,700
2013A	12/18/2013	495,425	06/01/2030	2.00% - 5.00%	Finance capital expenditures	347,310
2014C	10/23/2014	379,355	06/01/2038	3.00% - 5.00%	Finance capital expenditures	378,950
2014D	10/23/2014	136,190	06/01/2033	1.00% - 5.00%	Refund GO Series 2008A and 2008D	91,080
2015A	06/24/2015	500,000	06/01/2040	4.00% - 5.00%	Finance capital expenditures	473,270
2015B	06/24/2015	34,190	06/01/2027	5.00%	Refund GO Series 2005B	34,190
2016A	06/23/2016	431,815	06/01/2041	1.75% - 5.00%	Finance capital expenditures	408,940
2016D	12/20/2016	398,910	06/01/2041	3.00% - 5.00%	Finance capital expenditures	388,455
2016E	12/20/2016	190,635	06/01/2033	5.00%	Advance Refund GO Series 2007C	156,705
2017A	06/01/2017	563,520	06/01/2037	3.00% - 5.00%	Refund GO Series 2007A and 2007B	563,320
2017D	12/21/2017	521,705	06/01/2042	4.00% - 5.00%	Finance capital expenditures	519,705
2018A	08/01/2018	214,525	06/01/2043	5.00%	Finance capital expenditures	212,525
2018B	08/01/2018	301,160	06/01/2033	3.00% - 5.00%	Refund GO Series 2008E and 2008F	263,770
2019A	02/21/2019	937,775	10/15/2044	4.00% - 5.00%	Finance capital expenditures and refund GO Bond Anticipation Notes Series 2018	937,775
Total publicly offered						4,852,005

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
Direct placements:						
2016B	11/18/2016	190,145	06/01/2039	LIBOR Index Rate	Refund GO Series 2014A and IT Series 2015A	171,090
2016C	11/18/2016	224,315	06/01/2027	LIBOR Index Rate	Refund GO Series 2014B	199,850
2017B	11/21/2017	100,000	06/01/2042	Adjusted SIFMA Rate 0.11%	Finance capital expenditures	99,995
2017C	11/21/2017	99,935	06/01/2033	Adjusted SIFMA Rate 0.11%	Refund IT Series 2011E and 2014B	73,930
Total direct placements						544,865
Total general obligation bonds						**$ 5,396,870**
Qualified zone academy bonds (QZAB) - Direct Placements						
2005	12/28/2005	3,191	12/28/2020	0.00%	Finance projects of traditional public and public charter schools.	$ 177
2010	06/30/2010	4,143	12/01/2024	0.00%	Finance projects of traditional public and public charter schools.	1,381
Total direct placements						**$ 1,558**
Income tax secured revenue bonds						
2009E	12/22/2009	501,290	12/01/2034	4.34% - 5.59%	Finance capital expenditures, capitalized interest and pay financing cost	$ 456,705
2010D	06/03/2010	32,945	12/01/2026	5.00%	Qualified School Construction Bond - Finance capital expenditures for qualified school construction projects and financing cost	32,945
2010F	12/22/2010	342,615	12/01/2035	4.71% - 5.58%	Capital projects, pay for and/or reimburse capital projects costs and pay for the costs and expenses of delivering the bonds	342,615
2011A	09/29/2011	138,470	12/01/2036	1.00% - 5.00%	Capital projects, pay for and/or reimburse capital projects costs and pay for the costs and expenses of delivering the bonds	71,190
2011F-G	12/22/2011	400,720	12/01/2036	2.00% - 5.00%	Capital projects, pay for and/or reimburse capital projects costs and pay for the costs and expenses of delivering the bonds	211,260
2012A-B	05/16/2012	314,110	12/01/2027	2.00% - 5.00%	Refund GO Series 2002C, 2004A, 2005A. Pay for and/or reimburse capital projects costs and pay for the costs and expenses of delivering the bonds	217,340
2012C-D	11/28/2012	775,770	12/01/2037	2.00% - 5.00%	Capital projects, pay for and/or reimburse capital projects costs and pay for the costs and expenses of delivering the bonds	641,325

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
2014A	09/10/2014	155,665	12/01/2025	1.00% - 5.00%	Current Refunding Certificates of Participation, Series 2003; Advance Refunding Certificates of Participation, Series 2006. Costs and expenses of issuing and delivering the Bonds	91,515
2019A	12/04/2019	718,945	03/01/2044	3.00% - 5.00%	Capital projects and refund portion of GO Commercial Paper Bond Anticipation Note Series 2018	718,945
2019B	12/04/2019	60,000	03/01/2039	1.78% - 3.20%	Provide funds for New Communities Initiative, pay the costs and expenses of delivering the Bonds. Refund income tax secured revenue bond anticipation notes, Series 2019A	57,900
2019C	12/04/2019	583,395	10/01/2036	1.14% - 2.12%	Refund IT Series 2009A, 2009B, 2009C, HPTF 2007A, and GO 2007A. Pay the costs and expenses of delivering the Bonds	583,395
2020A	03/11/2020	578,110	03/01/2045	2.63% - 5.00%	Capital projects and refund GO Commercial Paper Bond Anticipation Note, Series 2019	578,110
2020B	03/11/2020	454,435	10/01/2031	5.00%	Current Refunding and defease IT Series 2010A. Pay the costs and expenses of delivering the bonds	454,435
2020C	07/23/2020	392,870	05/01/2045	4.00% - 5.00%	Capital projects, pay the costs and expenses of delivering the Bonds	392,870
2020D	07/23/2020	234,915	12/01/2039	0.35% - 2.34%	Refund IT Series 2010A, 2011A, 2011G, HPTF Series 2010A, 2010B. Pay the costs and expenses of delivering the Bonds	234,915
Total income tax secured revenue bonds						**$ 5,085,465**
Tobacco settlement asset-backed bonds						
2001	02/01/2001	521,105	05/15/2040	5.20% - 6.75%	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	$ 268,065
2006	08/30/2006	248,264	06/15/2055	6.25% - 7.25%	Pay the cash portion of the purchase price for the Residual Tobacco Assets, and pay certain costs of issuing the Bonds	248,264
Total tobacco settlement asset-backed bonds						**$ 516,329**

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
Tax increment financing (TIF) bonds						
Publicly offered:						
Mandarin Oriental Hotel Project, Series 2002	04/01/2002	45,995	07/01/2022	4.26% - 5.91%	Finance capital expenditures, fund the Reserve Account of the Bond Service Fund, fund capitalized interest, and pay the costs of issuing the Bonds	$ 7,234
City Market at O Street Project, Series 2011	11/17/2011	38,650	06/01/2041	3.00% - 5.13%	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	36,780
Gallery Place Project, Series 2012	06/21/2012	52,365	06/01/2031	3.00% - 5.00%	Refund the Gallery Place Project Tax Increment Revenue Bonds, Series 2002, and pay the costs and expenses of issuing and delivering the Bonds	35,810
Bryant Street Project, Series 2019	10/31/2019	17,300	06/01/2043	4.00% - 5.50%	Finance or reimburse certain costs incurred for development and financing of Bryant Street Project. Fund capitalized interest, pay the costs and expenses of issuing and delivering the Bonds	17,300
Total publicly offered						97,124
Direct placements:						
Skyland Town Center Project, Series 2018	05/31/2018	17,400	12/01/2038	3.94%	Financed with Capital One Public Funding, LLC, to reimburse Skyland Holdings, LLC and Skyland Associates, Inc. for eligible development costs associated with the phased development of Skyland Town Center	17,400
Total direct placements						17,400
Total tax increment financing (TIF) bonds						**$ 114,524**
Ballpark revenue bonds						
2006A	05/15/2006	154,835	02/01/2036	5.96% - 6.17%	Finance a portion of the cost of construction of the District baseball stadium	$ 140,755
2006B-1	05/15/2006	354,965	02/01/2036	4.00% - 5.50%	Finance a portion of the cost of construction of the District baseball stadium	45,955
Total ballpark revenue bonds						**$ 186,710**
Federal highway grant anticipation revenue bonds (GARVEE)						
2011	02/16/2011	82,610	12/01/2025	2.00% - 5.25%	Finance a portion of the 11th Street Bridge Project, pay certain costs of issuing the Bonds and fund the Senior Lien Bonds Debt Service Reserve Subaccount	$ 40,105
2012	10/10/2012	42,935	12/01/2027	2.00% - 5.00%	Finance Phase II of the 11th Street Bridge Project and pay costs of issuing the Bonds	26,355
2020	02/13/2020	227,710	12/01/2034	5.00%	Finance a portion of the South Capital Street Bridge Project and pay certain costs of issuing the Bonds	227,710
Total federal highway grant anticipation revenue bonds (GARVEE)						**$ 294,170**

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
Deed tax revenue bonds (Housing production trust fund program)						
2010A-C	08/24/2010	53,190	06/01/2032	3.39% - 5.00%	Finance, refinance, reimburse a portion of the costs of the New Communities Initiatives and satisfy the debt service reserve requirement. The outstanding balance is related to Series 2010B.	4,140
2012A-B	12/06/2012	39,585	06/01/2042	3.00% - 5.00%	Fund portions of the New Communities Projects and fund deposit to the Debt Service Reserve Fund	33,380
Total deed tax revenue bonds (Housing production trust fund program)						**$ 37,520**
Payment in lieu of taxes (PILOT) revenue bonds and notes						
Publicly offered:						
Southwest Waterfront Project Revenue Bond (The Wharf Project) Series 2015	09/03/2015	145,445	06/01/2040	2.82% - 5.04%	Finance construction of public infrastructure at the Southwest Waterfront (The Wharf)	$ 141,115
Total publicly offered						141,115
Direct placements:						
Anacostia Waterfront Corporation (AWC)	09/20/2007	111,550	12/01/2021	4.46%	Financed with Wells Fargo & Company, to finance, refinance and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River Waterfront	19,585
Southeast Federal Center PILOT Revenue Note (The Yards Project) Series 2014	12/18/2014 12/17/2019 amended	62,800	12/01/2037	75.00% of the LIBOR 30-day index plus 1.70%	Financed with U.S. Bank National Association, to reimburse Forest City SEFC, LLC (Structured as a 5-year interest-only draw-down note, with interest paid on drawn funds and has a mandatory repurchase date of December 17, 2024 when it will be extended or refinanced. Total cumulative draw-downs as of September 30, 2020 is $39,535).	21,356
Southwest Waterfront Project Revenue Bond (The Wharf Project) Series 2020	08/28/2020	21,292	06/01/2040	LIBOR 30-day index plus 0.85%	Financed with U.S. Bank National Association, to finance construction of public infrastructure at the Southwest Waterfront (The Wharf). (Structured as a 4.5-year interest-only draw-down bond, with interest paid on drawn funds and has a mandatory repurchase date of February 27, 2026, when it will be extended or refinanced. Total cumulative draw-downs as of September 30, 2020 is $15,735).	15,735
Total direct placements						56,676
Total payment in lieu of taxes revenue bonds and notes						**$ 197,791**
Total bonds and notes						**$ 11,830,937**

NOTE 7. LONG-TERM LIABILITIES

Other long-term liabilities	
225 Virginia Avenue lease	$ 74,743
Premium on long-term debt	1,345,082
Accreted interest	367,423
Long-term tax refunds	199,091
Long-term payroll accrual	1,217
Annual leave	267,234
Disability compensation	69,444
Grant disallowances	11,970
Claims and judgments	95,275
Net pension liability	229,413
Total other long-term liabilities	**$ 2,660,892**
Total long-term liabilities – governmental activities	**$ 14,491,829**
BUSINESS-TYPE ACTIVITIES	
Obligation for unpaid prizes	$ 809
Compensated absences	801
Estimated third party settlements	7,219
Malpractice loss reserves	1,629
Total long-term liabilities – business-type activities	**$ 10,458**

Notes:
All General Obligation Bonds were issued to pay for the costs and expenses of issuing and delivering the Bonds.
All Deed Tax Revenue Bonds were issued to pay for the costs and expenses of issuing and delivering the Bonds.

NOTE 7. LONG-TERM LIABILITIES

B. ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

Table N7-2 through **N7-19** present annual debt service requirements to maturity for the outstanding long-term liabilities of the District as of September 30, 2020.

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

Year Ending September 30	Principal	Interest	Total
2021	$ 168,260	$ 237,681	$ 405,941
2022	167,880	229,157	397,037
2023	165,110	220,086	385,196
2024	168,850	211,821	380,671
2025	171,465	203,408	374,873
2026-2030	972,660	880,391	1,853,051
2031-2035	1,375,725	594,161	1,969,886
2036-2040	1,188,870	257,440	1,446,310
2041-2045	473,185	50,298	523,483
Total	**$ 4,852,005**	**$ 2,884,443**	**$ 7,736,448**

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

Year Ending September 30	Principal	Interest	Total
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	56,755	13,133	69,888
2026-2030	109,685	41,408	151,093
2031-2035	23,915	31,717	55,632
2036-2040	99,915	25,309	125,224
2041-2042	99,895	4,494	104,389
Total	**$ 544,865**	**$ 186,317**	**$ 731,182**

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

Year Ending September 30	Principal
2021	$ 454
2022	276
2023	276
2024	276
2025	276
Total	**$ 1,558**

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

Year Ending September 30	Principal	Interest	Total
2021	$ 131,285	$ 229,359	$ 360,644
2022	198,825	226,962	425,787
2023	250,740	216,573	467,313
2024	270,175	204,069	474,244
2025	284,790	190,579	475,369
2026-2030	1,493,835	731,175	2,225,010
2031-2035	1,240,190	405,985	1,646,175
2036-2040	725,790	162,422	888,212
2041-2045	489,835	49,542	539,377
Total	**$ 5,085,465**	**$ 2,416,666**	**$ 7,502,131**

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

Year Ending September 30	Principal	Interest	Total
2021	$ 58,370	$ 17,893	$ 76,263
2022	31,225	14,099	45,324
2023	32,225	12,047	44,272
2024	33,635	9,872	43,507
2025	34,145	7,601	41,746
2026	78,465	5,296	83,761
2046	159,733	1,697,592	1,857,325
2055	88,531	2,478,469	2,567,000
Total	**$ 516,329**	**$ 4,242,869**	**$ 4,759,198**

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

Year Ending September 30	Principal	Interest	Total
2021	$ 2,954	$ 1,555	$ 4,509
2022	4,280	225	4,505
Total	**$ 7,234**	**$ 1,780**	**$ 9,014**

NOTE 7. LONG-TERM LIABILITIES

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

Year Ending September 30	Principal	Interest	Total
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	1,305	1,672	2,977
2026-2030	7,530	7,354	14,884
2031-2035	9,550	5,334	14,884
2036-2040	12,215	2,666	14,881
2041	2,830	145	2,975
Total	**$ 36,780**	**$ 24,272**	**$ 61,052**

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

Year Ending September 30	Principal	Interest	Total
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	3,065	1,247	4,312
2026-2030	17,775	3,779	21,554
2031	4,105	205	4,310
Total	**$ 35,810**	**$ 11,612**	**$ 47,422**

Table N7-10
TIF - Bryant Street Bonds - Publicly Offered ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ -	$ 734	$ 734
2022	-	734	734
2023	510	734	1,244
2024	535	708	1,243
2025	565	681	1,246
2026-2030	3,265	2,955	6,220
2031-2035	4,045	2,174	6,219
2036-2040	4,930	1,297	6,227
2041-2043	3,450	279	3,729
Total	**$ 17,300**	**$ 10,296**	**$ 27,596**

Table N7-11
TIF - Skyland Town Center Project - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ -	$ 686	$ 686
2022	682	672	1,354
2023	709	645	1,354
2024	737	616	1,353
2025	766	587	1,353
2026-2030	4,308	2,446	6,754
2031-2035	5,226	1,510	6,736
2036-2039	4,972	401	5,373
Total	**$ 17,400**	**$ 7,563**	**$ 24,963**

Table N7-12
Ballpark Revenue Bonds ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ 3,510	$ 10,853	$ 14,363
2022	3,995	10,622	14,617
2023	4,525	10,360	14,885
2024	17,215	9,761	26,976
2025	18,735	8,800	27,535
2026-2030	60,090	31,794	91,884
2031-2035	62,565	15,248	77,813
2036	16,075	495	16,570
Total	**$ 186,710**	**$ 97,933**	**$ 284,643**

Table N7-13
Federal Highway Grant Anticipation Revenue Bonds - GARVEE ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ 13,495	$ 14,391	$ 27,886
2022	14,170	13,720	27,890
2023	14,880	13,010	27,890
2024	15,655	12,235	27,890
2025	16,475	11,415	27,890
2026-2030	96,090	43,353	139,443
2031-2035	123,405	16,042	139,447
Total	**$ 294,170**	**$ 124,166**	**$ 418,336**

NOTE 7. LONG-TERM LIABILITIES

Table N7-14
Deed Tax Revenue Bonds - Housing Production Trust Fund ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ 2,305	$ 1,466	$ 3,771
2022	2,420	1,351	3,771
2023	2,535	1,230	3,765
2024	1,150	1,103	2,253
2025	1,190	1,057	2,247
2026-2030	6,630	4,613	11,243
2031-2035	7,765	3,476	11,241
2036-2040	9,280	1,969	11,249
2041-2043	4,245	256	4,501
Total	**$ 37,520**	**$ 16,521**	**$ 54,041**

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

Year Ending September 30	Principal	Interest	Total
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	5,350	5,840	11,190
2026-2030	30,255	25,691	55,946
2031-2035	37,950	17,989	55,939
2036-2040	48,385	7,557	55,942
Total	**$ 141,115**	**$ 82,227**	**$ 223,342**

Table N7-16
PILOT - Anacostia Waterfront Corporation Revenue Bonds - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ 9,685	$ 767	$ 10,452
2022	9,900	221	10,121
Total	**$ 19,585**	**$ 988**	**$ 20,573**

Table N7-17
PILOT - The Yards Revenue Note - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ -	$ 247	$ 247
2022	-	247	247
2023	-	247	247
2024	-	247	247
2025	21,356	73	21,429
Total	**$ 21,356**	**$ 1,061**	**$ 22,417**

Table N7-18
PILOT - Southwest Waterfront Project Revenue Bonds - The Wharf - Direct Placements ($000s)

Year Ending September 30	Principal	Interest	Total
2021	$ -	$ 183	$ 183
2022	-	182	182
2023	-	182	182
2024	-	182	182
2025	-	182	182
2026	15,735	91	15,826
Total	**$ 15,735**	**$ 1,002**	**$ 16,737**

Table N7-19
225 Virginia Avenue Lease ($000s)

Year Ending September 30	Principal	Interest	Total
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	5,710	3,564	9,274
2026-2030	35,096	11,272	46,368
2031-2032	14,580	876	15,456
Total	**$ 74,743**	**$ 33,449**	**$ 108,192**

Table N7-20 presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2020. Interest payments on variable rate bonds and net receipts/payments on hedging derivative instruments will vary. However, the amounts presented in the table below assume that current interest rates and the current reference rates of hedging derivative instruments will remain the same for their term. The District presents information on derivative instruments in Note 2 which begins on page 102.

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
2021	$ 34,860	$ 1,511	$ 7,651	$ 44,022
2022	36,400	1,231	6,319	43,950
2023	27,475	1,002	5,207	33,684
2024	28,350	810	4,241	33,401
2025	29,625	601	3,246	33,472
2026-2027	62,725	560	3,329	66,614
Total	**$ 219,435**	**$ 5,715**	**$ 29,993**	**$ 255,143**

NOTE 7. LONG-TERM LIABILITIES

C. LONG-TERM DEBT ACTIVITY

Table N7-21 presents the long-term debt activity for the year ended September 30, 2020.

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

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Governmental Activities					
General obligation bonds - publicly offered	$ 5,037,300	$ -	$ (185,295)	$ 4,852,005	$ 168,260
General obligation bonds - direct placements	574,515	-	(29,650)	544,865	25,860
Qualified zone academy bonds (QZAB) - direct placements	2,012	-	(454)	1,558	454
Income tax secured revenue bonds	3,617,225	3,022,670	(1,554,430)	5,085,465	131,285
Tobacco settlement asset-backed bonds	538,644	-	(22,315)	516,329	58,370
Tax increment financing bonds - publicly offered	84,222	17,300	(4,398)	97,124	6,099
Tax increment financing bonds - direct placements	17,400		-	17,400	-
Ballpark revenue bonds	230,165	-	(43,455)	186,710	3,510
Federal highway grant anticipation revenue bonds (GARVEE)	74,715	227,710	(8,255)	294,170	13,495
Deed tax revenue bonds (housing production trust fund program)	104,400	-	(66,880)	37,520	2,305
PILOT revenue bonds - publicly offered	145,445	-	(4,330)	141,115	4,350
PILOT revenue bonds and notes - direct placements	53,233	25,802	(22,359)	56,676	9,685
225 Virginia Avenue lease	78,820	-	(4,077)	74,743	4,362
Premium on long-term debt	849,031	663,008	(166,957)	1,345,082	130,945
Bond anticipation notes	375,000	-	(375,000)	-	-
Equipment financing program	4,438	-	(4,438)	-	-
Accreted interest	331,524	35,899	-	367,423	-
Long-term tax refunds	115,830	83,261	-	199,091	-
Long-term payroll accrual	1,217	-	-	1,217	-
Annual leave	200,128	224,864	(157,758)	267,234	264,081
Disability compensation	75,279	-	(5,835)	69,444	-
Grant disallowances	11,970	-	-	11,970	-
Claims and judgments	158,120	33,713	(96,558)	95,275	-
Net pension liability	229,809	-	(396)	229,413	-
Total long-term liabilities - governmental activities	**$ 12,910,442**	**$ 4,334,227**	**$ (2,752,840)**	**$ 14,491,829**	**$ 823,061**
Business-Type Activities					
Obligation for unpaid prizes	$ 1,190	$ -	$ (381)	$ 809	$ 410
Compensated absences	566	593	(358)	801	140
Estimated third party settlements	6,012	1,516	(309)	7,219	-
Malpractice loss reserves	2,117	-	(488)	1,629	-
Total long-term liabilities - business-type activities	**$ 9,885**	**$ 2,109**	**$ (1,536)**	**$ 10,458**	**$ 550**

The District finances its Capital Improvements Plan (CIP), the six-year capital budget which identifies the long-term capital projects of the District, 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, 2020, total bonds and notes outstanding totaled $11,830,937.

NOTE 7. LONG-TERM LIABILITIES

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 provides for the collection of Special Real Property Taxes, that satisfy debt service coming due on GO debt each fiscal year. Revenue derived from Special Real Property Taxes is irrevocably pledged for the benefit of bondholders. Debt service on GO debt totaled $462,024 in fiscal year 2020. As of September 30, 2020, the total GO Bonds outstanding is $5,396,870.

Qualified Zone Academy Revenue Bonds

The District has two Qualified Zone Academy Revenue Bond (QZAB) 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 facilitate lending to investors. The bonds are secured by real property tax revenue on deposit in the QZAB Pledged Revenue Account. As of September 30, 2020, the QZAB Bonds outstanding totaled $1,558.

Income Tax Secured Revenue Bonds

The Income Tax Secured Bond Authorization Act authorizes the District to issue up to $9,200,000 of ITS Bonds to fund capital projects. Debt service on ITS Bonds debt totaled $357,133 in fiscal year 2020. As of September 30, 2020, ITS Bonds outstanding totaled $5,085,465.

New Income Tax Secured Revenue Bonds

In fiscal year 2020, the District issued Income Tax Secured Revenue Bonds, Series 2019A, 2019B, 2020A, and 2020C totaling $1,749,925. The proceeds of the bonds were used to finance capital project expenditures under the capital improvements plan of the District, refinance ITS bond anticipation notes and pay the costs and expenses of issuing the bonds. Interest rates on the bonds range from 1.78% to 5.00%.

Pledged Tax Revenues for Debt Service on ITS Revenue Bonds

The ITS Bond Act pledges the income and business franchise taxes of the District, pledged revenue, to pay principal and interest on ITS revenue bond debt. In fiscal year 2020, the District collected $3,104,933 in pledged revenue and debt service on ITS bonds totaled $357,133. The debt service coverage ratio was 8.26 to 1, pledged revenue divided by debt service.

The District revised certain provisions in the ITS Master Trust Indenture through springing amendments which became effective in March 2020. Prior to the amendments, the District was required to capture and segregate pledged revenue equivalent to one year's ITS revenue bond debt service over a three-month period from April to June, and hold the monies in escrow in advance of the next fiscal year's debt service payments. In accordance with the terms of the revised Indenture, pledged revenues are escrowed four months prior to an ITS bond debt service payment. Pledged revenue held in escrow on September 30, 2020 was $187,295 for the payment of ITS revenue bond debt service due October 1, 2020; November 1, 2020; and two-thirds of December 1, 2020 which totaled $161,259.

Income Tax Secured Revenue Refunding Bonds

In fiscal year 2020, a total of $1,272,745 Income Tax Secured Revenue Refunding Bonds were issued to refund a portion of the outstanding bonds of the District. The refunding produced an aggregate difference in debt service of $393,534 and an economic gain of $337,972.

- The District issued $583,395 Series 2019C Income Tax Secured Revenue Refunding Bonds. Proceeds were used to current refund the Series 2007A GO Bonds, Series 2009A, 2009B, and 2009C Income Tax Secured Revenue Bonds, and Series 2007A Deed Tax Revenue Bonds. The current refunding produced an aggregate difference in debt service of $184,877 and an economic gain of $148,282.
- The District issued $454,435 Series 2020B Income Tax Secured Revenue Refunding Bond. Proceeds were used to current refund the Series 2010A, Income Tax Secured Revenue Bonds. The current refunding produced an aggregate difference in debt service of $154,240 and an economic gain of $136,776.
- The District issued $234,915 Series 2020D (Federally Taxable) Income Tax Secured Revenue Refunding Bonds. Proceeds were used to advance refund the Series 2011A and Series 2011G, Income Tax Secured Revenue Bonds. Proceeds were also used to current refund Series 2010A and Series 2010B Deed Tax Revenue Bonds in addition to Series 2010, Income Tax Secured Revenue Bonds. The refunding produced an aggregate difference in debt service of $54,417 and an economic gain of $52,914.

NOTE 7. LONG-TERM LIABILITIES

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

Available Tax Revenues Collected in FY 2020		
Individual income		$ 2,377,236
Business franchise		727,697
Total		**$ 3,104,933**
Amount held in escrow for FY 2021 debt service	(a)	187,295
October 2020 - December 2020	(b)	161,259
Rate of coverage (c)=(a)/(b)	(c)	86.10

Tax Increment Financing and Payments in Lieu of Taxes

The Tax Increment Financing Act provides the District the authority to issue TIF and 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, 2020, the TIF and PILOT debt outstanding totaled $312,315.

New TIF Revenue Bond and Note Issuance

In October 2019, the District issued $17,300 Tax Increment Financing Revenue Bonds (Bryant Street Project), Series 2019. The proceeds of the Bonds will be used to finance certain costs incurred in connection with the development and financing of the Bryant Street Project, 1.2 million square feet being developed which includes approximately 487 multifamily units, 80,000 square feet of ground floor retail, and significant public infrastructure improvements.

In August 2020, the District issued $21,292 in Southwest Waterfront (The Wharf Project) Project Revenue Bonds. The proceeds of the bonds will be used to finance certain infrastructure costs incurred in the development of Phase 2 of the Wharf Project, which includes approximately 110,000 square feet of retail, 578,000 square feet of office space, 131 hotel rooms, 255 residential units, 119 condominium units, over 1,000 below-grade parking spaces, and waterfront infrastructure improvements.

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, 2020, the Ballpark Revenue Bonds outstanding totaled $186,710.

Ballpark Revenue Bond Redemptions

In fiscal year 2020, 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.

Federal Highway Grant Anticipation Revenue Bonds - GARVEE

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, 2020, the GARVEE bonds outstanding totaled $294,170.

New GARVEE Issuance

In February 2020, the District issued $227,710 Series 2020 Federal Highway Grant Anticipation Revenue Bonds. Proceeds of the Series 2020 GARVEE bonds will be used to finance certain costs to rebuild and replace the Frederick Douglass Memorial Bridge and to construct new interchanges conveying traffic to the Bridge.

Deed Tax Revenue Bonds (Housing Production Trust Fund Program)

The Housing Production Trust Fund Act authorized the issuance of Deed Tax Revenue Housing Production Trust Fund bonds to fund the New Communities Initiatives and the comprehensive plan of the District for affordable housing infrastructure. Deed tax revenue 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, 2020, deed tax revenue bonds outstanding totaled $37,520.

Bond Anticipation Notes

The District issues 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 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

NOTE 7. LONG-TERM LIABILITIES

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. The facility allows the District to draw up to a maximum principal amount of $200,000 in the form of GO bond anticipation notes (2017 Notes) held by U.S. Bank National Association. The facility expires in March 2021. As of September 30, 2020, no notes drawn against this revolving credit facility were 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 supported the District issuance, up to a maximum principal amount of $300,000, of GO commercial paper bond anticipation notes (2018 CP Notes). Proceeds from the Series 2019A Income Tax Secured Revenue Bonds were used to refinance $205,000 of 2018 CP Notes and the District terminated the letter of credit facility in April 2020.

In March 2019, the District issued $40,000 Series 2019A Income Tax Secured Bond Anticipation Notes (ITS Notes) to Morgan Stanley & Co. LLC. The ITS Notes provided interim financing for certain New Communities Initiatives, housing infrastructure with a special focus on affordable housing. The ITS Notes were refinanced with proceeds from the issuance of the Series 2019B ITS bonds and the purchase agreement was terminated on December 4, 2019.

In fiscal year 2019, the District established a direct pay letter of credit with Barclays Bank PLC. The letter of credit supports the District issuance, up to a maximum principal amount of $500,000, of GO CP BANs (2019 CP Notes). In fiscal year 2020, the letter of credit was amended to allow for the issuance of taxable commercial paper (2020 CP Notes). Proceeds from the Series 2020B ITS bonds were used to refinance $130,000 of 2019 CP Notes. The District used general fund revenue to pay $50,000 of 2020 CP Notes at maturity. As of September 30, 2020, no CP Notes drawn against this credit facility were outstanding.

The refinancing of the 2018 CP Notes, 2019 CP Notes and the 2019A Income Tax Secured Bond Anticipation Notes was a current refunding that did not produce an economic gain or loss.

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 BANs. The final payment associated with the Equipment Lease Purchase Program was September 25, 2020 and the program was terminated.

Obligation for Unpaid Prizes

The Office of Lottery and 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, 2020, MUSL purchased for the Lottery, U.S. government securities totaling $810 to fund future installment payments to winners. The fair market value of these securities as of September 30, 2020, was $809. 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, 2020, governmental activities included direct placements with investors for GO, TIF, and PILOT bonds and notes. The District did not have any direct borrowings with any lenders as of September 30, 2020.

General Obligation Bond Direct Placements

The District has four variable rate GO 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, 2020, the outstanding variable rate GO bonds direct placements totaled $544,865.

TIF Bonds and PILOT Revenue Bonds and Notes Direct Placements

The Anacostia Waterfront Corporation PILOT Revenue Bond Series 2007, PILOT Revenue Note Series 2014 (The Yards Project), TIF Revenue Note Series 2018 (Skyland Town Center Project), and Southwest Waterfront Project PILOT Revenue Bond Series 2020 (The Wharf Project) obligations were sold as direct placements. In January 2020, the District redeemed the outstanding balance on the Southwest Waterfront Project PILOT Revenue Bond Series 2018 (The Wharf Project) and extinguished this obligation. As of September 30, 2020, TIF Bonds and PILOT revenue notes issued as direct placements outstanding balance totaled $74,076.

NOTE 7. LONG-TERM LIABILITIES

In December 2019, the District amended the Yards PILOT Revenue Note Series 2014. The note was amended in connection with the refinancing of a debt facility with U.S. Bank that had a mandatory repurchase date of December 18, 2019. As part of the refinancing, the amount of the note increased from $34,800 to $62,800. The refinanced debt facility allows for draw down of the note amount over time to reimburse for eligible development costs for the ongoing Yards PILOT project. Interest on the outstanding balance of the note is paid monthly at a variable interest rate. Repayment of principal occurs twice annually with available PILOT revenues. The debt facility has a mandatory repurchase date of December 17, 2024, if the outstanding principal is not repaid before that date.

Unused Lines of Credit

The Southeast Federal Center PILOT Revenue Notes (The Yards Notes) and the Southwest Waterfront Project PILOT Revenue Bonds Series 2020 (The Wharf Project) are drawdown arrangements. As of September 30, 2020, The Yards Notes and The Wharf Bonds had unused lines of credit in the amount of $23,265 and $5,557, respectively.

E. EVENTS OF DEFAULT AND REMEDIES

The failure of the District 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 various District 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 direct placements and credit agreements of the District, are supplemented by Continuing Covenants Agreements and Credit Agreements. Events of default can include, but are not necessarily limited to: payment defaults by the District; the failure by the District to observe certain covenants; District representations in bond documents prove to be incorrect; bankruptcy or insolvency of the District; the long-term GO bond or note rating of the District 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

On September 28, 1998, Washington Convention and Sports Authority (WCSA) issued $524,500 Series 1998A Senior Lien Dedicated Tax Revenue Refunding 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 $249,200 Series 2010 Senior Lien Dedicated Tax Revenue Bonds with maturities ranging from October 2015 to October 2040. Interest rates on the Series 2010 range 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 the 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 removed as a liability from the financial statements of WCSA. The amount was fully paid by the Trustee on October 1, 2016.

On February 22, 2018, WCSA issued $333,100 in Series 2018A and Series 2018B Senior Lien Dedicated Tax Revenue Refunding Bonds with interest rates ranging from 1.39% to 3.00%. The proceeds from the Bonds were used to current refund outstanding maturities of Series 2007 and advance refund Series 2010C, respectively. 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

NOTE 7. LONG-TERM LIABILITIES

Bonds Payable within the financial statements for WCSA at September 30, 2020.

Table N7-23 presents the debt service requirements to maturity for the outstanding bonds for WCSA as of September 30, 2020.

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

Year Ending September 30	Principal	Interest	Total
2021	$ 25,600	$ 22,209	$ 47,809
2022	27,590	20,853	48,443
2023	28,960	19,421	48,381
2024	12,480	18,801	31,281
2025	13,100	18,150	31,250
2026-2030	166,070	68,298	234,368
2031-2035	91,285	31,483	122,768
2036-2040	79,420	12,035	91,455
2041	12,250	-	12,250
Subtotal	456,755	211,250	668,005
Add:			
Unamortized bond premium, net	34,492	-	34,492
Total	**$ 491,247**	**$ 211,250**	**$ 702,497**

Housing Finance Agency

The Housing Finance Agency (HFA) issues bonds primarily to finance District 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 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

During fiscal years 2010 through 2020, 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 HFA outstanding bonds as of September 30, 2020.

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

Year Ending September 30	Principal	Interest	Total
2021	$ 1,319	$ 4,265	$ 5,584
2022	1,737	8,082	9,819
2023	36,663	5,135	41,798
2024	2,365	4,194	6,559
2025	18,711	4,114	22,825
2026-2030	16,126	19,335	35,461
2031-2035	18,668	39,601	58,269
2036-2040	62,572	17,789	80,361
2041-2045	3,635	6,857	10,492
2046-2050	27,078	4,963	32,041
2051-2055	5,435	1,369	6,804
2056-2060	3,225	214	3,439
Subtotal	197,534	115,918	313,452
Less:			
Unamortized bond discount, net	(236)	-	(236)
Total	**$ 197,298**	**$ 115,918**	**$ 313,216**

For more information on the long-term debt activity for HFA, refer to the separately issued financial statements for fiscal year 2020. The contact information can be found in Note 1 on page 70.

NOTE 7. LONG-TERM LIABILITIES

Tobacco Settlement Asset-Backed Bonds

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 (MSA) 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 $516,329 in bonds outstanding as of September 30, 2020.

Events of Default and Remedies

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

The indenture provides that in the event of default the Tobacco Corporation 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

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, 2020, there were 1,061 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

Employees participating in CSRS contribute 7.00% of their base pay. The District matches the contributions made by employees. Contribution requirements are established and amended by OPM. The District contributed 100% of the required amount to the CSRS for each of the past three fiscal years. District CSRS contributions for the years ended September 30, 2020, 2019, and 2018, were $6,985, $7,469, and $8,197, respectively.

Social Security System

Plan Description

The District also contributes to the Social Security System, a federal 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 $137,700 (not in thousands) for 2020, plus the matching contribution by the District of 6.20% FICA taxes. The District also pays a 1.45% payroll tax for Medicare with an additional 1.45% being withheld from individual employee salary/wages as the employee portion of the Medicare tax.

Additional Medicare Tax applies to individual Medicare wages that exceed a threshold amount, ranging from $125,000 to $250,000, based on the taxpayer filing status. Employers, including the District, are responsible for withholding the 0.90% Additional Medicare Tax on individual 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 that the 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, 2020, 2019 and 2018, were $115,193, $108,073, and $103,508, respectively. In addition, District contributions for Medicare for fiscal years 2020, 2019 and 2018 were $43,717, $41,312, and $38,789, respectively.

District Retirement Funds

General Information about the Pension Plans

Plan Description

DCRB administers the District Retirement Funds (D.C. Code §1-711 et seq.), which consist of two single-employer defined benefit pension plans: the District of Columbia Teachers' Retirement Fund (TRF) for the District teachers and the District of Columbia Police Officers and Fire Fighters' Retirement Fund (POFRF) for the District police officers and firefighters. 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 § 38-2001.01 et. seq.) assigns the authority to establish and amend benefit provisions to the Council for the TRF. Retirement and disability benefit provisions for POFRF 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 public day schools are automatically enrolled in the TRF on their date of employment. Certain 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 further be 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 apply.

Members hired on or after February 15, 1980, and before November 10, 1996 are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.50% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by the number of years of creditable service through 25 years; plus 3.00% of average base pay multiplied by the number of years of departmental service over 25 years; plus 2.50% of average base pay multiplied by the number of years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the average base pay of the member. 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, 2020 and 2019.

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

	2020	2019
TRF		
Inactive plan members	4,071	4,059
Active plan members	5,531	5,226
Vested terminations	1,510	1,446
Total	**11,112**	**10,731**
POFRF		
Inactive plan members	3,929	3,699
Active plan members	5,377	5,406
Vested terminations	303	261
Total	**9,609**	**9,366**

Notes:
Plan members: Numbers are not expressed in thousands.
Inactive plan members: Retirees and survivors receiving benefits - post June 30, 1997

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 2020 and 2019 were equal to the amounts computed by the independent actuary of the DCRB. 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 contributions to the District Retirement 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 2020 and 2019.

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

Year ended September 30	TRF	POFRF
2020	$ 58,888	$ 93,061
2019	53,343	91,284

NOTE 8. RETIREMENT PROGRAMS

Net Pension Liability

The District net pension liability (asset) was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of September 30, 2020. **Table N8-3** presents the aggregate amounts of the District Retirement Funds as of September 30,2020.

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

	TRF	POFRF	TOTAL
Total pension liabilities	$ 2,640,803	$ 6,023,843	$ 8,664,646
Pension net position	2,411,390	6,620,190	9,031,580
Deferred outflows of resources	78,406	68,051	146,457
Deferred inflows of resources	5,069	115,713	120,782
Pension expense	60,808	23,272	84,080
Net pension liabilities (assets)	229,413	(596,347)	(366,934)

Actuarial Assumptions

The total pension liability was determined based on an actuarial valuation as of September 30, 2020, using actuarial assumptions presented in **Table N8-4**, which were applied to all periods included in the measurement date as of September 30, 2020.

Table N8-4
District Retirement Funds: Summary of Actuarial Assumptions Used to Determine Total Pension Liability as of September 30, 2020

	TRF	POFRF
Inflation	3.50%	3.50%
Salary increases	5.50 - 8.63%; includes 4.25% wage inflation	4.25 - 7.38%; includes 4.25% wage inflation
Investment rate of return	6.50%, net of pension plan investment expense	6.50%, net of pension plan investment expense
Mortality	Healthy: RPH-2014 Blue Collar Mortality with generational projection using scale BB, set back 1 year for males. Disabled: RPH-2014 Disabled Mortality, set back 6 years for males and set forward 7 years for females.	Healthy: RPH-2014 Blue Collar Mortality with generational projection using scale BB, set back 1 year for males. Disabled: RPH-2014 Disabled Mortality, 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, 2020 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. Demographic information was collected as of June 30, 2020.

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.

NOTE 8. RETIREMENT PROGRAMS

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%	7.20%
Foreign developed equity	16.00	7.80
Emerging market equity	10.00	8.80
U.S. core fixed income	11.00	2.10
Treasury inflation-protected securities	6.00	2.10
Bank loans	3.00	4.50
Emerging markets debt	4.00	4.30
High yield bonds	4.00	4.90
Foreign bonds	2.00	2.30
Absolute return	4.00	4.00
Private equity	9.00	9.10
Real estate	6.00	7.00
Infrastructure	3.00	6.40
Natural resources	2.00	7.70
Total	**100.00%**	

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the District contributions will be made in accordance with the funding policy of the DCRB adopted in 2012 and revised in 2017. Based on those assumptions, fiduciary net position of the pension plan 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 net pension liability (asset) for the year ended September 30, 2020.

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, 2019	$ 2,494,291	$ 2,264,482	$ 229,809	$ 5,604,573	$ 6,256,363	$ (651,790)
Changes for the year						
Service cost	80,242	-	80,242	209,411	-	209,411
Interest	159,186	-	159,186	359,706	-	359,706
Difference between expected and actual experience	(2,364)	-	(2,364)	(8,567)	-	(8,567)
Contributions - employer	-	58,888	(58,888)	-	93,061	(93,061)
Contributions - employees	-	42,356	(42,356)	-	37,880	(37,880)
Net investment income	-	138,924	(138,924)	-	381,607	(381,607)
Benefit payments, including refunds of employee contributions	(90,552)	(90,552)	-	(141,280)	(141,280)	-
Administrative expenses	-	(3,511)	3,511	-	(9,648)	9,648
Other income	-	803	(803)	-	2,207	(2,207)
Net Changes	146,512	146,908	(396)	419,270	363,827	55,443
Balances at September 30, 2020	**$ 2,640,803**	**$ 2,411,390**	**$ 229,413**	**$ 6,023,843**	**$ 6,620,190**	**$ (596,347)**

NOTE 8. RETIREMENT PROGRAMS

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)	$ 697,957	$ 229,413	$ (140,586)
Police officers and fire fighters' plan's net pension liability (asset)	494,053	(596,347)	(1,457,860)

Pension Plans Fiduciary Net Position

Detailed information about the TRF and POFRF plans fiduciary net position is available in the separately issued District Retirement Funds financial statements and required supplementary information issued by the DCRB.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the District recognized pension expenses of $60,808 and $23,272 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, 2020.

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	$ 51,859	$ 5,069	$ -	$ 115,713
Changes of assumptions	-	-	7,072	-
Net difference between projected and actual earnings on plan investments	26,547	-	60,979	-
Total	**$ 78,406**	**$ 5,069**	**$ 68,051**	**$ 115,713**

NOTE 8. RETIREMENT PROGRAMS

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 ending September 30	TRF		POFRF	
2021	$	16,544	$	(57,867)
2022		44,598		22,315
2023		11,148		12,775
2024		1,047		(15,223)
2025		-		(9,662)

Payable to the Pension Plans

District contributions for fiscal years 2020, 2019, and 2018 were equal to the recommendation by the independent actuary; therefore, there were no outstanding amounts due to the plans as of September 30, 2020.

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, 2020, there were 19,967 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, 2020, 2019, and 2018, District contributions to the plan were $79,311, $73,753, and $69,458, respectively.

This plan also covers employees of the D.C. Housing Authority and the Health Benefit Exchange Authority, while the employees of the Health Benefit Exchange Authority, Washington Convention and Sports Authority, District of Columbia Green Finance Authority, Housing Finance Agency, University of the District of Columbia, and the Not-for-Profit Hospital Corporation (a blended component unit) 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 $19,500 (not in thousands) of their annual compensation for calendar year 2020. 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 $6,500 (not in thousands) in 2020. As of September 30, 2020, there were 3,332 employees participating in the Section 403(b) plan. District employees contributed $22,737 to this annuity plan in fiscal year 2020. 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 $19,500 (not in thousands) or 100% of includable compensation in calendar year 2020. 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, $39,000 (not in thousands); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of $6,500 (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. Law 22-33, Section 1112), 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 contribution for that pay period pursuant to D.C. Code § 1-626.09; provided, that the District contribution on behalf of the employee shall not exceed 3.00% of the employee 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, 2020, there were 18,691 employees participating in the Section 457 plan. District employees contributed $90,067 to this plan in fiscal year 2020. 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 where assets are accumulated. Benefits are paid in accordance with the substantive plan. Eligible participants of the OPEB plan are composed of employees who are: hired after September 30, 1987; retired under the TRF and POFRF plans; or are eligible for retirement benefits under the Social Security Act. 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 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 850W
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 investment managers of the plan.

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 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 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 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 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. Family members of an annuitant with 30 or more years of creditable District service pay up to 60% of the cost of the selected health benefit plan.

For Police Officers and Firefighters, annuitants with at least 10 years 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 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 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 contribution of the District 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, 2020 and 2019.

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

	2020	2019
Inactive OPEB plan members	2,551	1,939

Note:
Plan members: Numbers are not expressed in thousands.
Inactive plan members - Retirees and survivors receiving benefits

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 2020 and 2019 contribution amounts were equal to amounts computed by an independent actuary retained by the District.

Table N9-2 presents required amounts contributed by the District to the OPEB plan for fiscal years 2020 and 2019.

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

Year ending September 30		Amount
2020	$	47,300
2019		46,000

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of September 30, 2019 and rolled forward to the measurement date.

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation as of September 30, 2019, 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, 2020.

Table N9-3
Summary of Actuarial Assumptions Used to Determine Total OPEB Liability as of September 30, 2020

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	16 years beginning with fiscal year end 2020
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	5.30%, 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-2019 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, 2019 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.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Table N9-4 presents target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2020.

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%	4.90%
International equity	9.00	5.30
Emerging market equity	4.00	6.30
Core fixed income	24.00	1.00
Developed markets fixed income	10.00	0.40
Emerging market debt	3.00	3.50
Commodities	5.00	2.40
Cash	0.00	0.60
Total	**100.00%**	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan 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 net OPEB liability (asset) for the year ended September 30, 2020.

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

	Increase (Decrease)		
		OPEB	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at September 30, 2019	$ 1,464,702	$ 1,509,103	$ (44,401)
Changes for the year			
Service cost	54,832	-	54,832
Interest	94,484	-	94,484
Difference between expected and actual experience	30,163	-	30,163
Insurance carrier premiums net of retiree contributions	(22,547)	-	(22,547)
Contributions - employer and annuitants	-	48,189	(48,189)
Net investment income	-	107,412	(107,412)
Benefit payments, including refunds of employee contributions	-	(23,437)	23,437
Administrative expenses	-	(585)	585
Net changes	156,932	131,579	25,353
Balances at September 30, 2020	**$ 1,621,634**	**$ 1,640,682**	**$ (19,048)**

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, as well as what the District 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)	$ 239,625	$ (19,048)	$ (226,824)

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, as well as what the District net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower at 4.30% decreasing to 2.90% or 1-percentage-point higher at 6.30% 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 (4.30% decreasing to 2.90%)	Healthcare Cost Trend Rates (5.30% decreasing to 3.90%)	1% Increase (6.30% decreasing to 4.90%)
Net OPEB liability (asset)	$ (255,372)	$ (19,048)	$ 283,871

OPEB Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the District recognized OPEB expense of $71,700. **Table N9-8** presents deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2020.

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	$ 27,974	$ 456
Changes of assumptions	31,837	35,000
Net difference between projected and actual earnings on plan investments	47,233	-
Total	**$ 107,044**	**$ 35,456**

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 ending September 30	
2021	$ 20,663
2022	20,663
2023	16,197
2024	1,151
2025	2,860
Thereafter	10,054

Payable to the OPEB Plan

District contributions for fiscal years 2020, 2019, and 2018 were equal to independent actuary recommendation; therefore, there were no outstanding amounts due to the OPEB plan as of September 30, 2020.

NOTE 10. FUND BALANCE / NET POSITION

A. FUND BALANCE

Table N10-1 presents the District fund balances as of September 30, 2020.

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

	General Fund	Federal and Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventory	$ 47,769	$ -	$ -	$ -	$ -	$ 47,769
Total nonspendable fund balance	47,769	-	-	-	-	47,769
Restricted for:						
Emergency cash reserve	155,645	-	-	-	-	155,645
Contingency cash reserve	311,290	-	-	-	-	311,290
Debt service - bond escrow	391,025	-	-	-	-	391,025
Purpose restrictions	124,409	-	-	-	-	124,409
Payment-in-lieu of taxes	-	-	-	-	78,241	78,241
Tobacco settlement	-	-	-	-	77,135	77,135
Tax increment financing program	36,258	-	-	-	64,397	100,655
Housing production trust	-	-	116,223	-	-	116,223
Capital Projects	-	-	-	369,847	-	369,847
Highway projects	-	-	-	-	32,712	32,712
Baseball project	-	-	-	-	32,038	32,038
Universal paid leave	-	-	-	-	356,442	356,442
Total restricted fund balance	1,018,627	-	116,223	369,847	640,965	2,145,662
Committed to:						
Cash flow reserve	795,048	-	-	-	-	795,048
Fiscal stabilization reserve	218,217	-	-	-	-	218,217
Subsequent years expenditures	373,994	-	-	-	-	373,994
Budget support act	61,121	-	-	-	-	61,121
Soccer stadium	2,401	-	-	-	-	2,401
Dedicated taxes	26,414	-	-	-	-	26,414
Housing production trust fund	263,391	-	-	-	-	263,391
Pay-as-you-go capital projects	263,391	-	-	-	-	263,391
Other special purposes	189,461	-	-	-	-	189,461
Total committed fund balance	2,193,438	-	-	-	-	2,193,438
Unassigned fund balance	-	(38,538)	-	-	-	(38,538)
Total fund balances	**$ 3,259,834**	**$ (38,538)**	**$ 116,223**	**$ 369,847**	**$ 640,965**	**$ 4,348,331**

Note:
Fiscal Stabilization Reserve: $212,729 is budgeted for use in the FY 2021 Approved Budget.

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, 2020.

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	$ 414	$ -	$ 69,722	$ -
Restricted	-	73,538	17,012	11,486,575
Unrestricted	4,354	-	2,176	-
Total net position	**$ 4,768**	**$ 73,538**	**$ 88,910**	**$ 11,486,575**

NOTE 11. TAX ABATEMENTS

Tax Abatements

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

GASB Statement No. 77 identified three features that, in combination, set tax abatements apart from tax expenditures in general: 1) the purpose of the tax abatements; 2) the type of revenue they reduce; and 3) the existence of an agreement with a specific individual or entity as the basis for the abatement. 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: reduce taxes; encourage beneficial actions by individuals or entities; and may be based on agreements. However, most of the District 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 in coordination with the Office of Tax and Revenue.

Real Property Tax Abatements

The real property tax abatements are designed to encourage construction, improvement, and development of housing units, including affordable housing units, and 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: abate the entire real property tax for a certain number of years (for example, 10 or 20 years); abate the real property tax in excess of a certain amount for a certain number of years; or cap the annual real property tax for a certain number of years.

Possessory Interest Tax Abatements

Possessory interest is the intent and right of an individual or entity to occupy and/or exercise control over certain real estate. 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 the tax thereafter or returns paid possessory interest tax as a grant to the developer.

For the fiscal years ended September 30, 2020 and 2019, tax abatements made by the District through the Special Tax Incentives Program totaled $11,918 and $12,335, respectively.

Table N11-1 presents the amount of real property taxes and possessory interest taxes abated in fiscal years 2020 and 2019.

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

	Year Ending September 30, 2020	Year Ending September 30, 2019
Special tax incentives program		
Real property tax	$ 9,903	$ 11,327
Possessory interest tax	2,015	1,008
Total	**$ 11,918**	**$ 12,335**

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 commitment or obligation by the District to provide financial assistance to WMATA is established by annual appropriations, as approved by Congress. The District places the amounts to be provided to WMATA in an escrow account until such time when the funds are to be drawn down for use by WMATA. Operating grants may be in the form of operating and interest subsidies. WMATA records the operating grants from the District as advanced contributions when received and as non-operating revenues when the related expenses are incurred. WMATA recognizes the capital grants from the District 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, 2020.

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

	Local	Capital
Operating grants	$ 403,918	$ -
School transit subsidy	20,353	-
Capital grants	-	319,743
Total	**$ 424,271**	**$ 319,743**

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, 2020 ($000s)

FINANCIAL POSITION	
Total assets	$ 14,116,632
Total deferred outflows of resources	715,426
Total liabilities	(6,112,561)
Total deferred inflows of resources	(356,158)
Net position	**$ 8,363,339**
OPERATING RESULTS	
Operating revenues	$ 582,574
Operating expenses	(3,206,877)
Nonoperating revenues, net	1,475,938
Revenue from capital contributions	1,410,114
Extraordinary items	(1,748)
Change in net position	**$ 260,001**
CHANGE IN NET POSITION	
Net position, beginning of year	$ 8,103,338
Change in net position	260,001
Net position, end of year	**$ 8,363,339**

B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2020, the most significant transactions between the District and its discretely presented component units were in the form of subsidies. The subsidies, including capital contributions paid by the District to its component units were as follows: Washington Convention and Sports Authority, $74,067; District of Columbia Green Finance Authority, $26,000; and the University of the District of Columbia, $89,123. 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, 2020 totaled $920,806, which is comprised of $540,026 in on-behalf payments to the DC Federal Pension Fund, $310,617 in Coronavirus relief funding and $70,163 in contributions to cover costs imposed by the federal government.

B. EMERGENCY PREPAREDNESS

As the nation's capital, the District 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, 2020, 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. No additional amounts were expended from this funding in fiscal year 2020.

C. CORONAVIRUS RELIEF FUNDS – EXPANSION OF UNEMPLOYMENT INSURANCE

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes an expansion of unemployment insurance for District workers. The programs offered through the provisions of the CARES Act include:

Pandemic Unemployment Assistance

The Pandemic Unemployment Assistance (PUA) program is available to individuals who are typically ineligible for regular unemployment insurance (i.e., self-employed workers, independent contractors, gig workers, those with insufficient work history) that cannot work due to COVID-19 related reasons. PUA benefits are available for a maximum of 39 weeks and includes $600 (not in thousands) in Federal Pandemic Unemployment Compensation. PUA is effective for the period January 27, 2020 through December 31, 2020. The total benefits paid under this program for fiscal year 2020 was $58,591.

Federal Pandemic Unemployment Compensation

The Federal Pandemic Unemployment Compensation (FPUC) program is available to individuals who are collecting certain unemployment insurance benefits, including regular unemployment compensation. FPUC provides an additional $600 (not in thousands) in federal benefits per week for weeks of unemployment ending on or before July 31, 2020 on top of current regular Unemployment Insurance benefits. The total benefits paid under the FPUC program for fiscal year 2020 was $751,006.

Pandemic Emergency Unemployment Compensation

The Pandemic Emergency Unemployment Compensation (PEUC) program is available to individuals who have exhausted benefits under regular unemployment compensation or other programs to receive 13 additional weeks of benefits, plus $600 (not in thousands) FPUC benefits, although FPUC expired July 31, 2020. PEUC is effective for the period March 29, 2020 through December 31, 2020. The total benefits paid under this program for fiscal year 2020 was $23,976.

All unemployment compensation benefits paid from the programs under the CARES Act are 100% federally funded.

D. GRANTS

The District participates in 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.

Supplemental Nutrition Assistance Program

The District participates in the Supplemental Nutrition Assistance Program (SNAP), a federal program designed to increase the food purchasing power of economically disadvantaged residents. In fiscal year 2020, SNAP expenditures totaled $242,324.

Federal Lost Wages Assistance

The Federal Emergency Management Agency approved funding in the form of a grant to provide $300 per week in Lost Wages Assistance to eligible District workers for five weeks. Lost Wages Assistance is not an unemployment insurance program. It is a Federal Emergency Management Agency program that provides a supplemental payment on top of the unemployment benefits an eligible claimant receives from the District. The total benefits paid under this program for fiscal year 2020 was $96,037.

NOTE 14. LEASES

The accounting standards present two lease classifications: capital leases and operating leases. A capital lease requires the recognition of a lease asset and a lease liability in the government-wide Statement of Net Position. As of September 30, 2020, the District did not have any outstanding capital leases.

Operating leases are not recorded in the government-wide Statement of Net Position. These leases contain various renewal options, the effects of which are reflected in the minimum lease payments only if the options will be exercised. Certain operating leases contain escalation clauses and contingent rentals that are not included in the calculation of the future minimum lease payments. In fiscal year 2020, operating lease expenditures recorded in governmental funds totaled $183,627.

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, 2020.

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

Year Ending September 30	Primary Government Operating Leases Facilities	Primary Government Operating Leases Equipment
2021	$ 177,089	$ 2,664
2022	150,083	1,200
2023	149,985	262
2024	148,088	57
2025	146,071	8
2026-2030	353,167	-
2031-2035	67,250	-
2036-2040	4,070	-
2041-2045	973	-
2046-2050	927	-
Minimum lease payments	**$ 1,197,703**	**$ 4,191**

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The District is exposed to risks of losses associated with: 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 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 conditioned 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, 2020. As a result, information regarding potential disallowances arising from noncompliance with applicable grant agreements and other federal requirements is not available for fiscal year 2020. However, based on prior experience and resolutions reached with grantor agencies, the District determined that as of September 30, 2020, 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 derivative instruments of the District 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 counterparty may terminate the hedging derivative instrument. As of September 30, 2020, the aggregate fair value of all hedging derivative instruments (floating to fixed swaps) with collateral posting provisions was $29,030 as indicated in **Table N2-13** on page 102. The GO credit ratings of the District by Standard & Poor's, Moody's and Fitch is AA+, Aaa, AA+, respectively. No collateral had been posted as of September 30, 2020.

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, 2020.

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 $62,500.

In fiscal year 2020, there was a $2,426 net decrease 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.

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

	2020	2019
Liability at October 1	**$ 158,120**	**$ 153,144**
Claims incurred		
Lawsuits	1,113	16,216
Property tax appeals	32,600	36,579
Claims payments/ adjustments		
Lawsuits	(61,532)	(25,475)
Property tax appeals	(35,026)	(22,344)
Liability at September 30	**$ 95,275**	**$ 158,120**

NOTE 15. COMMITMENTS AND CONTINGENCIES

E. DISABILITY COMPENSATION

The District, through its Office of Risk Management, administers a disability compensation program under Title XXIII of the District of Columbia Compensation Merit Personnel Act of 1978. This program covers all District employees hired under the District of Columbia Compensation Merit Personnel Act and 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)

	2020	2019
Liability at October 1	**$ 75,279**	**$ 108,535**
Claims/adjustments	9,954	(15,098)
Benefit payments	(15,789)	(18,158)
Liability at September 30	**$ 69,444**	**$ 75,279**

NOTE 16. SUBSEQUENT EVENTS

The Coronavirus Relief Fund

In response to the COVID-19 pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to assist with the economic impact resulting from the pandemic. Part of the economic assistance provided by the CARES Act was the establishment of the Coronavirus Relief Fund (CRF), representing $150 billion to states, local governments, and other specifically identified governments. Payments from the CRF may only cover expenses that are (1) necessary expenditures due to the public health emergency resulting from COVID-19; (2) were not included in the government's most recently approved budget as of March 27, 2020; and (3) were incurred during the period March 1 through December 31, 2021.

The District received $1,309,168 in advance payment prior to September 30, 2020, and due to timing, $185,018 of these funds were unspent at fiscal year-end. The District will review all relief funds expended after September 30, 2020. Amounts which remained unspent at December 31, 2021 will be returned to the U.S. Treasury.

Ongoing Impact of COVID-19 on the District Economy and Revenue

In fiscal year 2020, COVID-19 and the restrictions imposed on businesses and individuals to control the spread of the virus drove the District's economy into a recession, reducing the District's revenues. Although revenue growth was strong in the first half of fiscal year 2020, revenue was about 2.00% lower than the previous year, driven mainly by reduced revenues from sales taxes and other sources such as traffic fines, parking meters, and building permits, in the second half of the fiscal year. The recent revenue forecast projects that the economy will recover by the end of calendar year 2021, but with the virus surging and restrictions to control the virus extended, COVID-19 will continue to negatively affect the District's economy and revenues. The December revenue forecast projects a reduction in fiscal year 2021 revenues of about 3.00% over the previous year. Most of the impact is expected in the winter because of the restrictions imposed on restaurants, hotels, and other businesses with the resurgence of the virus. The availability and deployment of vaccines is expected to boost the District's economy and revenues in the latter half of the fiscal year.