NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2022

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

On January 2, 1975, the District Charter (Charter) took effect. The means of governance of the District was established by the District Charter, which became effective on January 2, 1975, through passage by Congress of the Home Rule Act. The District Charter may be found in Title IV of the District of Columbia 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 becomes law unless Congress and the President of the United States disapprove it after it has been adopted. Citizens residing in the District have the right to vote for the President and Vice-President of the United States but not for members of Congress. The District does, however, have an elected, non-voting Delegate to the United States House of Representatives.

Due to its unique organizational structure (i.e., not part of a state government), the District provides a broad range of services to its residents, including those normally provided by a state. These services include public safety and protection, fire and emergency medical services, human support and welfare services, public education, and many others.

B. FINANCIAL REPORTING ENTITY

Primary Government

A financial reporting entity consists of a primary government and its component units. Accordingly, for financial reporting purposes, the primary government is the District, 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 governing board for the organization.
- There is a financial benefit or 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 relationship between the organization and the District.

Based on the application of the criteria outlined, the District includes five discretely presented component units in its reporting entity: District of Columbia Health Benefit Exchange Authority, Washington Convention and Sports Authority, District of Columbia Green Finance Authority, District of Columbia 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 discretely presented component units, 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. The relationship between each discretely presented component unit and the District is as follows:

District of Columbia Health Benefit Exchange Authority

The District has the ability to impose its will on the District of Columbia Health Benefit Exchange Authority (Authority) because the District is able to approve or modify the budget of the Authority and may overrule, veto, or modify certain decisions made by the governing board of the Authority (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 or 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 (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 Authority because the District has the ability to modify or approve the budget and the rates or fees charged by the Washington Convention and Sports Authority.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the fiscal year ended September 30, 2022, the Authority was subjected to a ransomware cyber attack, which resulted in a significant amount of financial data of the Authority being encrypted and made unavailable for their access. As a result, the independent auditors of the Authority were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Authority's financial statements as of and for the year ended September 30, 2022.

District of Columbia Green Finance Authority

A financial benefit or burden relationship exists between the District of Columbia Green Finance Authority (Green Finance Authority) and the District because the District provides financial support to the Green Finance Authority through annual transfers and additional funding from the DC Department of Energy and Environment.

District of Columbia Housing Finance Agency

The District is able to impose its will on the District of Columbia 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 budget of the Housing Finance Agency. In addition, the District has the authority to approve or modify rental rates and may overrule certain decisions made by the governing board of the Housing Finance Agency (i.e., the awarding of contracts valued at $1 million or more).

University of the District of Columbia

A financial benefit or burden relationship exists between the University of the District of Columbia (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 or modify the budget of the University.

The combined financial data for these organizations are 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 I Street, NW, 4th Floor
Washington, DC 20005
https://hbx.dc.gov

Washington Convention and Sports Authority
t/a Events DC
Chief Financial Officer
801 Mount Vernon Place, NW
Washington, DC 20001
https://eventsdc.com

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

Housing Finance Agency
Chief Financial Officer
815 Florida Avenue, NW
Washington, DC 20001
https://www.dchfa.org

University of the District of Columbia
Office of the Chief Financial Officer
Van Ness Campus
4200 Connecticut Avenue, NW
Building 29, 2nd floor
Washington, DC 20008
https://www.udc.edu

Blended Component Units

Organizations that meet any one of the following characteristics, in addition to the criteria for inclusion as a component unit previously described, are blended component units of the District:

- The governing body of the organization is substantively the same as the governing body of the District and either (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 the organization does not provide services directly to the District.
- The total debt outstanding of the organization, including leases, is expected to be repaid entirely or almost entirely with resources of the District.
- The organization is incorporated as a not-for-profit corporation where the District is the sole corporate member.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District of Columbia Tobacco Settlement Financing Corporation

The District of Columbia Tobacco Settlement Financing Corporation (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 securitized rights, title, and interest of the District in the tobacco settlement revenues. The Tobacco Corporation is a blended component unit because: (a) the District appoints the governing board of the Tobacco Corporation; (b) the District is legally entitled to and can otherwise access the resources of the Tobacco Corporation, thereby establishing a benefit or burden relationship; (c) the District has the ability to modify or approve the budget for the Tobacco Corporation, 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 (DC Act 18-476; DC 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 or 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 budget for the Not-for-Profit Hospital Corporation. 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
Vice President and Treasurer
1350 Pennsylvania Avenue, NW, Suite 200
Washington, DC 20004

Not-for-Profit Hospital Corporation
d/b/a United Medical Center
Office of the Chief Financial Officer
1310 Southern Avenue, SE
Washington, DC 20032

Related Organizations

A related organization is an organization for which the District is not financially accountable even though the District appoints a voting majority of the governing board of the organization. The District reports two entities as related organizations: the District of Columbia Housing Authority (Housing Authority) and DC Water. The Mayor, with the consent and advice of the Council, appoints a majority of the voting members of the governing boards for both related organizations. 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 a 16-member board composed of eight voting directors and eight alternate directors from each signatory to the compact. The directors and alternates for Maryland are appointed by members of the Washington Suburban Transit Commission; for Virginia, by members of the Northern Virginia Transportation Commission; for the District, by members of the Council; and for the federal government, by the United States Secretary of Transportation. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

activities of the joint venture in its financial statements. Condensed financial statements for WMATA are presented in Note 12 on page 158.

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 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 governmental and business-type activities and the discretely presented component units. The District reports all debts and capital assets, including infrastructure and intangible assets, in the 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 and amortization 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 or 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's expendable financial resources, and the related liabilities and deferred inflows of resources (except those accounted for in the proprietary funds and the discretely presented component units) are accounted for in the governmental funds.

The District reports the following major governmental funds:

General Fund

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

Federal and Private Resources Fund

The Federal and Private Resources Fund, a special revenue fund, is used to account for proceeds of intergovernmental grants and other federal payments, private grants, and private contributions that are legally restricted and may be only expended for specified purposes.

Housing Production Trust Fund

The Housing Production Trust Fund, a special revenue fund, is used to account for certain financial resources which are used to support 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 include 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Capital Improvements Fund

The General Capital Improvements Fund, a capital projects 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, Tobacco Settlement Financing Corporation, Payment in Lieu of Taxes (PILOT) Fund, Universal Paid Leave Fund, and Baseball Project; (2) one Debt Service Fund; and (3) one Capital Projects Fund, which is the Highway Trust Fund.

Proprietary Funds

Proprietary Funds are used to account for activities similar to those found in the private sector. The criteria for inclusion as a proprietary fund include: (a) the costs (including depreciation and amortization) 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 or loss is necessary or useful for sound financial administration.

The District reports three proprietary funds that are discussed as follows:

Lottery, Gambling, and Gaming Fund

The Lottery, Gambling, and Gaming Fund is used to account for revenues from the 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, and emergency care services. It is a separate legal entity and blended component unit of the primary government for financial reporting purposes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District for the benefit of individuals, private organizations, or other governments. The District is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

The District maintains three different types of fiduciary funds that are discussed as follows:

Pension (and Other Employee Benefit) Trust Funds

The Pension Trust Funds are used to report the activities associated with the payment of benefits to District retirees. These funds accumulate financial resources for pension benefit payments to eligible District employees upon their retirement. The District reports two single-employer defined benefit pension plans: the District of Columbia Teachers' Retirement Fund (TRF) and the District of Columbia Police Officers and Fire Fighters' Retirement Fund (POFRF), collectively referred to as the District Retirement Funds.

The Other Employee Benefit Trust Funds are discussed as follows:

Other Postemployment Benefits (OPEB)

The OPEB plan is a single-employer defined benefit healthcare and life insurance plan. These funds are used to accumulate financial resources for payments to eligible District retirees for their postemployment healthcare and life insurance.

401(a) Defined Contribution Plan

The 401(a) Defined Contribution Plan is a defined contribution pension plan administered through a trust that covers all District employees hired on or after October 1, 1987. Coverage begins for eligible participants after one year of service. The District contributes 5.00% of base salaries for eligible employees and 5.50% of base salaries for detention officers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

457(b) Deferred Compensation Plan

The 457(b) Deferred Compensation Plan was established pursuant to section 457 of the Internal Revenue Code to allow all District employees to participate in a tax deferral retirement savings plan. All District employees that are able to contribute a minimum of $20 per pay period are automatically enrolled in the deferred compensation program.

403(b) Tax-Sheltered Annuity Plan

The District of Columbia Public Schools (DCPS) sponsors the District of Columbia Public Schools 403(b) Tax-Sheltered Annuity (TSA) plan. The 403(b) TSA retirement plan is a voluntary retirement plan in which eligible DCPS employees may participate and invest additional income towards retirement.

Private-Purpose Trust Fund

A Private-Purpose Trust Fund is used to report any trust arrangement not reported in pension or other employee benefit trust funds where principal and income benefit specific individuals, private organizations, or other governments. The District uses this fund to account for amounts held in the 529 College Savings Investment Plan, which was established to help families save for qualified college education expenses while also receiving certain tax benefits.

Custodial Fund

A Custodial Fund is used to account for and report activities that exclusively benefit parties outside the District and are not administered through trusts or equivalent arrangements. Refundable deposits required of various licensees, and monies held in escrow as an agent are reported in these funds. The resources in this fund are held purely in a custodial capacity.

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 financial statements for the year ended September 30, 2021, from which summarized information was derived.

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 and amortization 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 after 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Employee Benefits Trust Funds; Private-Purpose Trust Fund; and Discretely Presented Component Units

The proprietary funds, Pension and Other Employee Benefits 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 the principal ongoing operations of a proprietary fund.

The Pension and Other Employee Benefits Trust Funds recognize additions to net position derived from various sources, as follows:

- Plan members' contributions, when due;
- District contributions, when due and a formal commitment for payment has been made; and
- Net investment income, as earned.

Expenditures for benefits and refunds are recognized when due and payable. The Private-Purpose Trust Fund recognizes additions to net position when contributions from plan members 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 (DC Law 19- 91; DC Code § 47-501), 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 Supplemental Nutrition Assistance Program (SNAP), a federal program 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. Revenues and expenditures are reported in the Federal and Private Resources Fund when the underlying transactions (i.e., the food purchase) occur.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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-Congressional day review period.

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 Congress approves the District appropriation, the District may transmit amendments or supplements to the budget by submitting a request for supplemental appropriation to Congress, which would require active approval. However, within certain limits, pursuant to DC Code § 47-369.02, the District may supplement its General Fund budget by notifying Congress not fewer than 30 days in advance of the changes taking place. Authorization for such supplemental budget requests requires advance notification to Congress, but not Congressional approval.

Pursuant to Section 446 of the Home Rule Act (DC Code § 1-204.46) and the Reprogramming Policy Act of 1980, as amended (DC Code § 47-361 et seq.), 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 61, 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) and the District of Columbia Anti-Deficiency Act of 2002 (DC Code § 47-355.01 et seq.). In addition, a negative expenditure variance for a particular agency within an appropriation is also a violation of the District of Columbia 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 59 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 91.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 budget of the subsequent year. However, encumbered amounts do not lapse at year-end in the Capital Projects Funds or the Special Revenue Funds.

As of September 30, 2022, the Capital Projects Improvement Fund had an encumbrance balance of $995,323. None of the other major and nonmajor funds had significant encumbrances as of the end of the fiscal year.

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.

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 (DC Code §§ 47-351.01 to 47-351.08) effective June 16, 2006, and the District Investment Policy, as adopted in September 2021. As of September 30, 2022, 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 federal government. Such investments are 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 OPEB Fund are authorized to invest monies consistent with their respective investment policies. Historically, the investments of these Funds have been comprised of equities, balanced funds, fixed income securities, and other long-term investments.

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 upon selling an asset (or transferring 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 following three-level hierarchy is based on the valuation inputs used to measure the fair value of the asset:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, such as management's assumptions and information that is reasonably available about market participant assumptions.

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 earned.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 purchase method to account for inventory whereby materials and supplies are recorded as budgeted expenditures/expenses whether or not consumed. At year-end, however, adjustments are made to report inventory valued at $20,000 or greater as an asset.

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 at the lower of cost or market. Cost is determined using the first-in-first-out (FIFO) method.

H. RESTRICTED ASSETS

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

I. PREPAID ITEMS

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

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 including reimbursements; 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, right-to-use assets, and infrastructure (i.e., roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the financial statements for government-wide, proprietary fund, and component units. All purchased capital assets are stated at cost when historical records are available and at estimated historical cost when no historical records exist.

Right-to-use assets resulting from leases are measured as the lease liability, plus lease payments made at or before the lease commencement date, plus ancillary direct costs minus incentives received 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 and amortization expense is

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

recorded in the government-wide and proprietary fund financial statements and the financial statements of the component units, as applicable.

Intangible assets lack physical substance; have a useful life of more than one 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 and Amortization 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 asset using the straight-line method over the estimated useful life of the asset. Right-to-use leased assets are also amortized using the straight-line method, but over the lesser of the lease term or the estimated remaining useful life of the asset.

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
Right-to-use leased buildings	Lesser of lease term and remaining estimated useful life
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
Right-to-use leased equipment	Lesser of lease term and remaining estimated useful life
Furniture and fixtures	5 years
Books	5 years

M. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net assets 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. LEASES

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in fiscal year 2022. This Statement defines a lease as a legally binding contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. This contractual arrangement requires the lessee (the party who is renting or leasing the asset) to pay the lessor (the party who owns or controls the asset) for use of the asset over a specified time. The District engages in contractual agreements both as a lessee and a lessor.

Lessee

As a lessee, the District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The District also recognizes expenditures and other financing sources in the governmental funds financial statements at the commencement of the lease, that equal the amount of the lease liability. The lease liability is measured at the present value of future payments expected to be paid during the lease term. Lease liabilities are subsequently reduced by the principal portion of lease payments made. The leased asset is measured as the initial lease liability, plus lease payments made at or before the lease commencement date plus ancillary direct costs minus incentives received.

The District recognizes a lease liability with an initial individual value of $5 (thousand) or more as an intangible right-to-use leased asset in the government-wide financial statements. The right-to-use leased asset is amortized over the shorter of the lease term or the useful life of the underlying asset, except if a lease contains a purchase option that is reasonably certain of being exercised, then the asset is amortized based on the useful life of the underlying asset.

The District utilizes the interest rate that is implicitly defined within the lease agreement as the discount rate. If one is not readily determinable, the District utilizes the incremental borrowing rate as an alternative. The lease term is defined as the noncancelable lease period plus optional renewal periods that are reasonably certain to

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

be exercised and any unconditional option to terminate that is reasonably certain not to be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments that are fixed in substance, and the purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease liability and will remeasure the lease liability and right-to-use asset if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

As a lessor, the District recognizes a lease receivable and deferred inflows of resources in both the government-wide and the governmental fund financial statements. The lease receivable is measured at lease commencement, based on the present value of future payments expected to be collected during the lease term. Lease receivables are subsequently reduced by the principal portion of lease payments received. The deferred inflows of resources is measured at the initial amount of the lease receivable and adjusted for lease payments received at or before the lease commencement date. Deferred inflows of resources are recognized as revenue over the life of the lease term.

The District utilizes the interest rate that is implicitly defined within the lease agreement as the discount rate. If one is not readily determinable, the District utilizes the incremental borrowing rate as an alternative. The lease term is defined as the noncancelable lease period plus optional renewal periods that are reasonably certain to be exercised and any unconditional option to terminate that is reasonably certain not to be exercised. Collections included in the measurement of the lease receivable are composed of fixed payments, and variable lessee payments that are fixed in substance.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 leave years 2020 and 2021, 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. The excess leave hours will be restored and held in separate leave accounts for employees' use by April 2024.

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. The compensated absence liabilities are liquidated mostly from resources of the General Fund. 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 employees who are covered under the Civil Service Retirement System, the Police Officers and Firefighters' Retirement Fund, and the Teachers' Retirement Plan. Covered 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.

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 additional long-term general obligation debt may be issued 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 annually by dividing maximum annual principal and interest by current year total General Fund revenues.

In addition, consistent with the Limitation on Borrowing and Establishment of Operating Cash Reserve Act of 2008 (DC Code § 47-335.02), the Council shall not approve a District bond issuance if the applicable annual debt service on the District bond issuance would cause the debt service on all District bonds in the fiscal year when 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Appreciation Bonds

Capital Appreciation Bonds (CABs) are original issue discount bonds with deferred debt service. The District has three CABs: Mandarin Oriental Hotel Tax Increment Financing (TIF) Revenue Bonds Series 2002, Tobacco Settlement Asset-Backed Bonds Series 2006, and Union Market Tax Increment Revenue Bonds Series 2021A. 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 and the bonds matured on July 1, 2022. No interest was 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. The Union Market TIF revenue bonds were issued on September 29, 2021 and the proceeds were used to fund the Union Market Project. The CABs mature on June 1, 2031 and June 1, 2046 and the interest accrues semi-annually until the bonds convert to current interest bonds in fiscal year 2026. For the 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 and component units. 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 deferred 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 assets 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 2022, the District adopted the following four new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 87, *Leases*, as amended by GASB Statement No. 95, 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 leased asset; and a lessor is required to recognize a lease receivable and deferred inflows of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of GASB Statement No, 87, as amended, led to a restatement of the fiscal year 2021 government-wide financial statements. The cumulative effect of the change in accounting principle on the net position is presented in Note 1Y on page 92.

- Statement No. 92, *Omnibus 2020*, as amended, 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. The implementation of GASB Statement No, 92, as amended, had no impact on the fiscal year 2022 financial statements of the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 an Internal Revenue Code (IRC) Section 457 plan to be classified as either a pension plan or other employee benefit plan depending on whether the plan meets the definition of a pension plan. It also requires that Statement No. 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 implementation of the requirements for all paragraphs of this Statement, except for paragraphs 4 and 5 which were implemented during fiscal year 2021, had no impact on the fiscal year 2022 financial statements of the District.

- Statement No. 99, *Omnibus 2022*, 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) requirements related to extending the use of LIBOR; (2) accounting for SNAP distributions; (3) disclosures of nonmonetary transactions; (4) pledges of future revenues by pledging governments; (5) clarification of certain provisions in Statement 34, as amended; and (6) terminology updates related to Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The implementation of these requirements had no impact on the fiscal year 2022 financial statements of the District.

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. 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, 2021, which is fiscal year 2023 for the District.

- 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 (SOFR) and the Effective Federal Funds Rate (EFFR) 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, as amended.

  As amended by GASB Statement No. 99, the requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is fiscal year 2023 for the District.

- 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) as set forth in GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and some meet the definition of a lease. When accounting for PPPs meeting the definition of a lease, Statement No. 94 requires that the guidance contained in GASB Statement No. 87, *Leases*, as amended, be applied. Statement No. 94 also provides

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

accounting and financial reporting requirements for all other PPPs including those that either meet the definition of a service concession arrangement 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 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, which is fiscal year 2023 for the District.

- 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, which is fiscal year 2023 for the District.

- Statement No. 99, *Omnibus 2022*, 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) requirements related to leases; (2) PPPs; and (3) SBITAs. The requirements of these provisions of the Statement are effective for reporting periods beginning after June 15, 2022, which is fiscal year 2023 for the District.

  Further, this Statement addresses specific provisions about the following: (1) requirements related to financial guarantees; and (2) the classification and reporting of derivative instruments within the scope of Statement No. 53. The requirements of these provisions are effective for fiscal years beginning after June 15, 2023, which is fiscal year 2024 for the District.

- Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*, establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles, and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting.

  The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, which is fiscal year 2024 for the District.

- Statement No. 101, *Compensated Absences*, establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). This Statement defines a compensated absence as leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. The Statement further defines salary-related payments as obligations that a government incurs related to providing leave in exchange for services rendered and requires note disclosures regarding long-term liabilities for compensated absences.

  The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, which is fiscal year 2025 for the District.

The District has not determined the impact, if any, that the implementation of Statement Nos. 91, 93, 94, 96, 99, 100, and 101 will have on its financial statements. Accordingly, no determination has been made regarding the materiality of impact. The District has determined, however, that Statement Nos. 94 and 96 will have an impact on the way the District reports on its PPPs and SBITAs. The District has been collecting data, reviewing the arrangements, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 separate categories: net investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets

This category of net position is comprised of all capital assets, including infrastructure, reduced by accumulated depreciation and amortization and the outstanding balances of debt, net of unspent proceeds, that are attributable to the acquisition, construction, or improvement of these assets.

Restricted Net Position

This category presents net position subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations through 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 plus deferred outflows of resources and liabilities plus 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 component of fund balance 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, 2022, 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 component of fund balance includes resources with use constraints which are either: (a) externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. As of September 30, 2022, 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 89.

Debt Service – Bond Escrow

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

Purpose Restrictions

This portion of the fund balance represents resources from grants and other revenues with externally imposed restrictions on how the District may expend the funds. Other revenues include, but are 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Capital Projects

This portion of the fund balance is restricted for the purpose of acquiring or constructing capital facilities and for improvement projects to buildings and infrastructure.

Highway Projects

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

Baseball Project

This portion of the fund balance represents resources restricted for debt service payments associated with the construction of the baseball stadium.

Universal Paid Leave

This portion of the fund balance represents resources restricted for benefit payments to covered employees under the Paid Family Leave program.

Committed Fund Balance

This component of fund balance 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, 2022, 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. Information about the cash flow reserve of the District is presented on page 90.

Fiscal Stabilization Reserve

This portion of the fund balance is committed to the same purposes for which the contingency cash reserve was established. Information about the fiscal stabilization reserve of the District is presented on page 90.

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 2022 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.

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 50.00% 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.

Pay-as-you-go Capital Projects

This portion of the fund balance, which represents 50.00% 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, installation of electrical and thermal storage systems, in addition to implementation of the Renewable Portfolio Standard Expansion Act of 2016.

Assigned Fund Balance

This component of fund balance includes resources neither restricted nor committed for which the District has a stated intended use as established by the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 those for committed resources. Consistent with Sections 424, 448, and 450 of the Home Rule Act, the Mayor, Council, and CFO 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.

Unassigned Fund Balance

This component of fund balance includes resources which cannot be classified in one of the other four categories. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, 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, 2022, 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.

General Capital Improvements

This portion of the fund balance relates to the deficit in the General Capital Improvements Fund caused by the absence of significant bond issuances. A portion of the expenditures in this fund was covered by resources advanced from the General Fund in anticipation of issuance of new debt in the subsequent fiscal year.

Additional information about fund balances of the District is presented in **Table N10-1** on page 156.

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 actual General Fund local expenditures as reported in the previous year, 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 50.00% 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 50.00% of the amount used from the reserve in the first year after use, by the end of the second year, the remaining 50.00% 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 50.00% 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 50.00% of the amount used from the reserve in the first year after use, by the end of the second year, the remaining 50.00% 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

Under District law, the Mayor is authorized to use the fiscal stabilization reserve account for certain specific purposes: (1) the same purposes for which the contingency cash reserve was established; (2) to address lapses in appropriations; and (3) to provide for D.C. public schools funding in advance of budget approval. The CFO may use the fiscal stabilization reserve to cover cash flow needs. District law has specific requirements for the replenishment of amounts drawn from the fiscal stabilization reserve. At full funding, for any given fiscal year, the fiscal stabilization reserve must equal 2.34% of the General Fund operating expenses 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 ACFR, the CFO must commit 50.00% of the unassigned end-of-year fund balance to each reserve, or 100.00% 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 ACFR for that fiscal year, must be used for the following purposes: (a) 50.00% must be deposited in the Housing Production Trust Fund; and (b) 50.00% 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.

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 fiduciary net position of the District Retirement Funds 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 143 through 150.

Other Retirement Programs

The District sponsors a defined contribution pension plan with a qualified trust under IRC Section 401(a) and the provisions of DC 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

retirement programs sponsored by the District such as IRC Section 403(b) and IRC Section 457 are presented in Note 8 on pages 143 through 150.

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 8 and pursuant to DC 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 DC 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 fiduciary net position of the OPEB plan is determined using the economic resources measurement focus and the accrual basis of accounting. 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 151 through 155.

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 58.

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 60.

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 (deficiency) of revenues and other sources over expenditures and other uses - budgetary basis	$ 1,637,556	$ (215,855)
Basis differences:		
Inventory is recorded as expenditures under the budgetary basis and GAAP basis but significant amounts of inventory are reported as assets under the GAAP basis	4,801	24,431
Transfers/Reclassifications	13,674	(12,383)
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(362,432)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses - GAAP basis	**$ 1,293,599**	**$ (203,807)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Y. RESTATEMENT

The District implemented GASB Statement No. 87, *Leases*, in fiscal year 2022. As a result of this implementation, beginning balances of right-to-use assets, long-term lease liabilities, long-term lease receivables and deferred inflows of resources for leases were established at October 1, 2021. **Table N1-3**, **N1-4**, and **N1-5** present the cumulative effects of the change in accounting principle for the primary government, component units, and fiduciary funds, respectively.

These changes are the result of the cumulative effect of the recognition of the right-to-use assets, lease liabilities, lease receivables, and deferred inflows of resources related to lease contracts the District entered into both as a lessee and a lessor. The District did not restate the fiscal year 2021 amounts as shown in the summarized comparative totals column within the statements of flow of resources, as it was not practical.

In fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The District inadvertently did not report the custodial fund in accordance with GASB Statement No. 84 in fiscal year 2021. In fiscal year 2022, the District undertook corrective actions to properly present the fund in accordance with GASB Statement No. 84. As a result of the cumulative effect of the error correction, the net position for the custodial fund increased by $77,480 on October 1, 2021.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Table N1-3
Cumulative effect of GASB Statement No. 87 - Primary Government ($000s)

	Primary Government								
	Governmental Activities			Business-Type Activities			Total		
	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated
Capital assets, net	$ 15,954,039	$ 793,416	$ 16,747,455	$ 62,610	$ 3,983	$ 66,593	$ 16,016,649	$ 797,399	$ 16,814,048
Lease receivables	-	380,835	380,835	-	-	-	-	380,835	380,835
Long-term liabilities	14,010,571	793,416	14,803,987	21,968	3,983	25,951	14,032,539	797,399	14,829,938
Deferred inflows of resources - leases and loans	295,187	380,835	676,022	-	-	-	295,187	380,835	676,022

Table N1-4
Cumulative effect of GASB Statement No. 87 - Component Units ($000s)

	Component Units											
	Housing Finance Agency			Washington Convention and Sports Authority			University of the District of Columbia			Total		
	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated
Lease receivables - current	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,206	$ 3,206	$ -	$ 3,206	$ 3,206
Capital assets, net	2,198	196	2,394	-	-	-	247,487	47,812	295,299	819,658	48,008	867,666
Lease receivables - noncurrent	-	-	-	83	18,278	18,361	-	20,206	20,206	83	38,484	38,567
Other current liabilities	151,244	37	151,281	-	-	-	2,474	6,554	9,028	161,552	6,591	168,143
Other long-term liabilities	-	156	156	-	-	-	-	41,257	41,257	11,426	41,413	52,839
Deferred inflows of resources	-	-	-	-	18,278	18,278	-	23,412	23,412	-	41,690	41,690
Net position	155,554	4	155,558	336,490	-	336,490	353,413	-	353,413	1,005,253	4	1,005,257

Note:
Total column consists of all component units presented on Exhibit 5-a, including those that did not require restatement for the implementation of GASB Statement No. 87.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Table N1-5
Cumulative effect of GASB Statement No. 87 - Fiduciary Funds - Pension (and Other Employee Benefit) Trust Funds ($000s)

	Fiduciary Funds - Pension (and Other Employee Benefit) Trust Funds								
	Police Officers and FireFighters			Teachers			Total		
	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated	Balance October 1, 2021, as reported	Restatement	Balance October 1, 2021, as restated
Capital assets, net	$ 55	$ 8,471	$ 8,526	$ 20	$ 3,156	$ 3,176	$ 75	$ 11,627	$ 11,702
Other long-term liabilities (effect of lease liability)	-	9,328	9,328	-	3,475	3,475	-	12,803	12,803
Net position	7,991,994	(857)	7,991,137	2,944,884	(319)	2,944,565	15,960,604	(1,176)	15,959,428

Note:
Total column consists of all Fiduciary Funds - Pension (and Other Employee Benefit) Trust Funds presented on Exhibit C-1, including those that did not require restatement for the implementation of GASB Statement No. 87.

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, 2022, substantially all 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 (DC Law 12-56). As of September 30, 2022, the carrying amount of cash and cash equivalents was $7,975,144 for the primary government, $240,942 for the component units, and $364,866 for the fiduciary funds.

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 (DC Law 12-56) and the Cash and Investment Management Policy of the District, adopted during December 2021. 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, and repurchase agreements fully collateralized in obligations of the United States government and agency securities. During fiscal year 2022, the investments of the District (other than those held by the District Retirement Funds, the Other Postemployment Benefits (OPEB) Fund, and the D.C. Library Trust Fund) consisted primarily of U.S. Treasury securities, commercial paper, and certificates of deposit.

Table N2-1 presents the cash, cash equivalents and investment balances of the District as of September 30, 2022.

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/ Other Employee Benefits Trust Funds	Private-Purpose Trust Fund	Custodial Fund	Total Fiduciary Funds	Total
Cash and cash equivalents	$ 4,569,148	$ 148,309	$ 4,717,457	$ -	$ -	$ -	$ -	$ 4,717,457
Investments	-	320,070	320,070	-	-	-	-	320,070
Cash and cash equivalents (restricted)	3,405,996	92,633	3,498,629	285,176	1,576	78,114	364,866	3,863,495
Investments (restricted)	4,576	426,507	431,083	13,509,202	945,018	-	14,454,220	14,885,303
Total	**$ 7,979,720**	**$ 987,519**	**$ 8,967,239**	**$ 13,794,378**	**$ 946,594**	**$ 78,114**	**$ 14,819,086**	**$ 23,786,325**

NOTE 2. CASH AND INVESTMENTS

Table N2-2 presents the District's cash, cash equivalents and investment balances by category as of September 30, 2022.

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

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and cash equivalents	$ 7,975,144	$ 240,942	$ 364,866	$ 8,580,952
Investments				
U.S. government securities	-	11,870	-	11,870
U.S. treasury securities	-	169,878	-	169,878
Certificates of deposit	-	7,462	-	7,462
Mortgage-backed securities	2,837	12,390	-	15,227
Guaranteed investment contracts	-	-	203,984	203,984
Repurchase agreements	-	32,821	-	32,821
Exchange traded funds	1,531	-	-	1,531
Alternative investments	-	5,273	-	5,273
Commodities	-	1,465	58,116	59,581
Equity securities	208	42,560	8,004,948	8,047,716
Fixed income securities	-	15,865	3,318,471	3,334,336
Real estate	-	1,473	1,261,274	1,262,747
Private equity	-	-	1,198,075	1,198,075
Corporate securities	-	43,029	-	43,029
Investment contracts	-	147,867	-	147,867
Money market funds	-	253,001	409,352	662,353
Mutual funds	-	1,623	-	1,623
Total investments	4,576	746,577	14,454,220	15,205,373
Total cash, cash equivalents and investment	**$ 7,979,720**	**$ 987,519**	**$ 14,819,086**	**$ 23,786,325**

Table N2-3 presents the authorized investments and maturity limits as detailed in the investment policy of the District.

Table N2-3
District Investments and Maturity Limits

Type of Investment	Maturity	Maximum Investment %
U.S. treasury obligations	Five years	100%
U.S. agency obligations	Five years	100
Supranational agency bonds	Five years	10
Municipal debt obligations	Five years	100
Corporate notes	Five years	10
Commercial paper	180 days or less	30
Federally insured or collateralized certificates of deposit	Five years	30
Repurchase agreements	90 days or less	100
Money market mutual funds	Five years	100
Negotiable certificates of deposit	Five years	30
Bank deposits	Not applicable	100

NOTE 2. CASH AND INVESTMENTS

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 DC Code § 1-907.01, 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 DC Code § 1-907.01.

Table N2-4 presents cash, cash equivalents and investment pools held in the control of DCRB as of September 30, 2022 and 2021.

Table N2-4
District Retirement Funds: Cash, Cash Equivalents and Investment Pools ($000s)

	September 30, 2022	September 30, 2021
Cash and cash equivalents	$ 228,526	$ 87,331
Investments		
Domestic equity	2,011,329	2,648,381
International equity	2,411,300	3,209,598
Fixed income	2,383,938	3,073,368
Real assets	1,261,119	1,002,358
Private equity	1,198,075	943,089
Total investments	9,265,761	10,876,794
Total cash, cash equivalents and investments	**$ 9,494,287**	**$ 10,964,125**

Other Postemployment Benefits Fund

During fiscal year 2022, the OPEB Fund maintained certain cash, cash equivalents and investment balances.

Table N2-5 presents the OPEB Fund cash, cash equivalents and investment balances as of September 30, 2022 and 2021.

Table N2-5
OPEB Fund: Cash, Cash Equivalents and Investment Balances ($000s)

	September 30, 2022	September 30, 2021
Cash and cash equivalents	$ 56,650	$ 57,134
Investments		
Equities	964,758	1,256,183
Debt securities	581,958	670,064
Commodities	58,116	51,585
Total investments	1,604,832	1,977,832
Total cash, cash equivalents and investments	**$ 1,661,482**	**$ 2,034,966**

NOTE 2. CASH AND INVESTMENTS

Deposit and Investment Risks

The investments of the District and its discretely presented component units are subject to credit, custodial credit, concentration of credit, interest rate, 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 significant losses, unless under the circumstances, it is 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 AAA 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 by a credit rating agency 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 organization.

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's portfolio should be maintained at A or higher. For portfolios that were not individually managed as of September 30, 2022, the credit quality of AA- for the portfolios were par with the index value of BBB-.

NOTE 2. CASH AND INVESTMENTS

Custodial Credit Risk

Custodial risk is the risk that a government will not be able to recover deposits, if the depository financial institution fails, or to recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

District of Columbia (Excluding Fiduciary Funds)

The District had no custodial credit risk exposure during the fiscal year. All District deposits in fiscal year 2022 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 uninsured, unregistered, and are held by the counterparty in the name of the Fund. As of September 30, 2022, the OPEB Fund had custodial credit risk exposure totaling $56,650.

Concentration of Credit Risk

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

District of Columbia (Excluding Fiduciary Funds)

The investment policy of the District does not allow for an investment in any single counterparty that is in excess of five percent of the total investment portfolio of the District 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, 2022, 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, 2022, DCRB was in compliance with this policy.

OPEB Fund

The OPEB Fund has no significant concentrations of net exposure to credit risk that has not been reduced by collateral and other offsets. The investment policy provides guidelines to 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.

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 debt investment exposure to fair value changes arising from changing interest rates. It uses the present value of the weighted cash flows as a percentage of the full price of the investment. Generally, the risk and return of the 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 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 examine how sensitive the underlying assets of the fixed income portfolios are to movements in interest rates, and to recommend any appropriate investment manager changes.

Foreign Currency Risk

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

District of Columbia (Excluding Fiduciary Funds)

As of September 30, 2022, 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 issuers 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 District Retirement Funds investments denominated in a currency other than the United States dollar as of September 30, 2022.

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

Foreign currency	Private Equity	Real Assets	Short-Term and Other	Total
Euro	$ 116,211	$ 60,386	$ 42	$ 176,639
Canadian dollar	50,631	-	-	50,631
British pound sterling	30,020	-	8,316	38,336
Total foreign currency	**$ 196,862**	**$ 60,386**	**$ 8,358**	**$ 265,606**

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 OPEB Fund investments denominated in a currency other than the United States dollar as of September 30, 2022.

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

International securities	Short-Term and Cash	Convertible and Fixed Income	Total
Australian dollar	$ 1,113	$ 5,993	$ 7,106
Brazilian real	210	-	210
British pound sterling	(157)	5,164	5,007
Canadian dollar	207	4,516	4,723
Chilean peso	116	-	116
Chinese yuan renminbi	-	160	160
Euro	159	50,228	50,387
Indian rupee	24	-	24
Indonesian rupiah	6	1,537	1,543
Japanese yen	286	26,372	26,658
Malaysian ringgit	12	873	885
Mexican peso	(26)	-	(26)
New Taiwan dollar	231	-	231
New Zealand dollar	214	305	519
Polish zloty	30	-	30
Russian ruble	58	-	58
Singapore dollar	(3)	-	(3)
South African rand	132	-	132
South Korean won	752	8,265	9,017
Swiss Franc	95	-	95
Thai Baht	-	646	646
Total international securities	**$ 3,459**	**$ 104,059**	**$ 107,518**

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, 2022.

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

		Fair Value Measurement Using		
	September 30, 2022	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	$ 208	$ 208	$ -	$ -
Exchange traded funds				
U.S. government bond funds	364	364	-	-
International equity funds	191	191	-	-
U.S. equity funds	233	233	-	-
Corporate bond funds	580	580	-	-
High yield bond funds	73	73	-	-
Commodity funds	90	90	-	-
Total exchange traded funds	1,531	1,531	-	-
Non-exchange traded funds				
Mortgage-backed securities	2,837	-	2,837	-
Commercial paper	7,879	-	7,879	-
Total non-exchange traded funds	10,716	-	10,716	-
Total investments measured at fair value	**$ 12,455**	**$ 1,739**	**$ 10,716**	**$ -**

Investments Measured at Fair Value

The following provides a summary of District investments measured at fair value, excluding Fiduciary Funds, as presented in **Table N2-8**.

Investments – Fair Value Level 1

U.S. Equity Securities

U.S. equity securities are valued using prices quoted in active markets.

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. 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 either at NAV per share at the end of the trading day or Intraday Value (market price) which 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 in the structure of the ETF. A basket of assets that is traded like an index fund.

Investments – Fair Value Level 2

Non-Exchange Traded Funds

Non-exchange traded investment funds are not freely bought and sold on a public exchange. Due to the illiquid nature of the assets, shares in these investments may not be readily redeemable.

Mortgage-Backed Securities

Mortgage-backed securities are valued using quoted market prices, recent market transactions and spread data for similar instruments.

Commercial Paper

Commercial paper is an unsecured short-term promissory note for a specific amount, maturing on a specific day, and is rated by all nationally recognized rating agencies.

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, 2022.

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

		Fair Value Measurement Using		
	September 30, 2022	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	$ 256,673	$ 236,079	$ 8,322	$ 12,272
International equity	208,485	6,913	-	201,572
Fixed income	694,966	-	296,952	398,014
Real assets	1,062,838	-	-	1,062,838
Private equity	1,198,075	-	-	1,198,075
Total investments by fair value level	3,421,037	**$ 242,992**	**$ 305,274**	**$ 2,872,771**
Investments measured at the net asset value (NAV)				
Domestic equity	1,754,656			
International equity	2,202,815			
Fixed income	1,688,972			
Real assets	198,281			
Total investments measured at the net asset value (NAV)	5,844,724			
Total investments measured at fair value	**$ 9,265,761**			

Investments Measured at Fair Value

The following provides a summary of District Retirement Funds investments measured at fair value as presented in **Table N2-9**.

Investments – Fair Value Level 1

Equity Securities

Equity securities are valued at the last sale price or official close price as of the close of trading on the applicable exchange where the security is principally traded.

Investments – Fair Value Level 2

Equity Securities and Fixed Income Securities

These securities 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.

Investments – Fair Value Level 3

Equity Securities and Fixed Income Securities

These are valued with last trade data having limited trading volume.

Real Assets

Real assets investments are generally valued using the income approach by internal manager reviews or independent external appraisers. 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

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

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

	September 30, 2022	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
Domestic equity	$ 1,754,656	$ -	Daily, quarterly	0-5 days
International equity	2,202,815	-	Daily, monthly	1-10 days
Fixed income	1,688,972	-	Daily, monthly	0-5 days
Real assets	198,281	-	Daily, quarterly	0-45 days
Total investments measured at the NAV	**$ 5,844,724**	**$ -**		

Domestic and International Equities

DCRB has investments in five funds with a domestic focus and four funds with an international focus in which the equity securities maintain market exposure; however, the level of market exposure may vary with 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 assets funds as part of its long-term asset allocation plan for private markets. It is fully funded as of September 30, 2022, as presented in **Table N2-10**. This represents commingled public investments in two real asset funds.

NOTE 2. CASH AND INVESTMENTS

OPEB Fund Investments

Table N2-11 presents OPEB Fund investments measured at fair value as of September 30, 2022.

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

		Fair Value Measurement Using		
	September 30, 2022	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	$ 107,919	$ 107,919	$ -	$ -
Consumer retail	68,867	68,867	-	-
Information technology	85,871	85,871	-	-
Financial institutions	76,011	76,011	-	-
Healthcare	58,196	58,196	-	-
International equities (by Industry)				
Industrials	4,402	4,402	-	-
Consumer retail	18,287	18,287	-	-
Healthcare	4,480	4,480	-	-
Real estate investment trust securities	12,208	12,208	-	-
Total equity securities	436,241	436,241	-	-
Debt securities				
U.S. government issues	104,220	-	104,220	-
Corporate bonds	41,983	-	41,983	-
Credit card/automotive receivables	11,852	-	11,852	-
U.S. state and local government bonds	4,538	-	4,538	-
International debt securities				
Government issues	78,258	-	78,258	-
Corporate bonds	34,863	-	34,863	-
Credit card/automotive receivables	1,663	-	1,663	-
Other government bonds	1,719	-	1,719	-
Mutual funds	29,650	29,650	-	-
Total debt securities	308,746	29,650	279,096	-
Commodity investments				
Gresham commodities fund	58,116	-	-	58,116
Total commodity investments	58,116	-	-	58,116
Total investments by fair value level	803,103	**$ 465,891**	**$ 279,096**	**$ 58,116**
Investments measured at the Net Asset Value (NAV)				
SSgA emerging market index fund	67,236			
SSgA Russell 1000 growth fund	237,604			
SSgA Russell 2000 index fund	96,586			
SSgA U.S. aggregate bond index fund	246,061			
Baillie Gifford international growth equity	63,694			
Artisan international value equity	63,397			
BlueBay emerging market bond	27,152			
Total investments measured at the NAV	801,730			
Total investments measured at fair value	**$ 1,604,833**			
Investment derivative instruments				
Interest rate swaps	$ (68)	$ -	$ (68)	$ -
Credit defaults swaps	(5)	-	(5)	-
Foreign exchange forwards	(966)	-	(966)	-
Total investment derivative instruments	**$ (1,039)**	**$ -**	**$ (1,039)**	**$ -**

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**.

Investments – Fair Value Level 1

Equity Securities and Mutual Funds

These investments are valued using prices quoted in active markets for those securities and mutual funds held in equities are deemed to be actively traded.

Real Estate Investment Trust Securities

These investments are actively traded securities.

Investments – Fair Value Level 2

Debt Securities

Investments are valued using market pricing and other observable market inputs for similar securities from several data providers, industry standards, or a broker quote in a non-active market. International government issues include structured debt which are valued using inflation-adjusted mid evaluation.

Collateralized auto loan securities, which are included in collateralized debt obligations, are valued using consensus pricing.

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.

Investments – Fair Value Level 3

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 is based on 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.

NOTE 2. CASH AND INVESTMENTS

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 a positive return.

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.

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

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

	September 30, 2022	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at the NAV				
SSgA emerging market index fund	$ 67,236	$ -	Daily	N/A
SSgA Russell 1000 growth fund	237,604	-	Daily	N/A
SSgA Russell 2000 index fund	96,586	-	Daily	N/A
SSgA U.S. aggregate bond index fund	246,061	-	Daily	N/A
Baillie Gifford international growth equity	63,694	-	Monthly	5 days
Artisan international value equity	63,397	-	Monthly	5 days
BlueBay emerging market bond	27,152	-	Daily	N/A
Total investments measured at the NAV	**$ 801,730**	**$ -**		

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 at times purchase or sell index futures contracts, options on those futures, or engage in other transactions involving the use of derivative instruments, in lieu of investing directly in the securities making up the Index.

NOTE 2. CASH AND INVESTMENTS

SSgA Russell 2000 Index Fund

This fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The strategy may include purchasing securities in their initial public offerings (“IPOs”). In some cases, it may not be possible or practicable to purchase all the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question.

SSgA U.S. Aggregate Bond Index Fund

This fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index (the “Index”) over the long term. The fund is managed using a “passive” or “indexing” investment approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The fund may attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. However, due to the large number of securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the fund to purchase some of the securities comprising the Index.

Baillie Gifford International Growth Equity

This fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Their investment process is based on a highly analytical research-driven process and builds portfolios from the bottom up. The strategy invests primarily in developed markets, but also may invest up to 20% of the Fund 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 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. These criteria help to rule out businesses that are statistically cheap, but whose values are deteriorating over time. 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 avoid deteriorating credits and one-off currency devaluations. The fund has a focus on absolute returns. Both their long-only and alternative strategies use short exposures (either directly or via credit derivative instruments) as one of a number of techniques designed to deliver absolute-style returns. There is a strong emphasis on capital preservation; and the use of credit derivative instruments 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 derivative instruments, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Other common types of derivative instruments 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, 2022, 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, 2022 ($000s)

	Changes in Fair Value		Fair Value at September 30, 2022		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2021B (formerly Series 2002-2008C, 2014B, then 2016C) Swap	Deferred outflows	$ (1,530)	Swap	$ (420)	$ 14,818
2021B (formerly Series 2002-2008C, 2014B, then 2016C) Swap	Deferred outflows	(13,769)	Swap	(3,782)	133,358
Derivative instrument liabilities at end of year				**$ (4,202)**	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment revenue	$ (470)	Swap	$ 47	$ 76,055
Derivative instrument assets at end of year				**$ 47**	

District of Columbia Investments (Excluding Fiduciary Funds)

The District is a party to three 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 three 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, 2022, along with the credit rating of the associated counterparty.

Table N2-14
Objectives and Terms: District Hedging Derivative Instruments Outstanding as of September 30, 2022 ($000s)

Type	Objectives	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps						
2021B Swap (formerly Series 2002-2008C, 2014B, then 2016C)	Hedge of changes in cash flows on the Series 2016C Bonds (formerly 2014B Bonds)	$ 14,818	10/15/2002	06/01/2027	Pay fixed rate of 3.615%; receive 67% of 1-month LIBOR	A1/A-/A
2021B Swap (formerly Series 2002-2008C, 2014B, then 2016C)	Hedge of changes in cash flows on the Series 2016C Bonds (formerly 2014B Bonds)	133,358	10/15/2002	06/01/2027	Pay fixed rate of 3.615%; receive 67% of 1-month LIBOR	A1/A-/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	76,055	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, 2022, were as presented in **Table N2-14**.

As of September 30, 2022, the District was not exposed to credit risk on the two floating to fixed swaps with an aggregate negative mark-to-market of $4,202 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 $47. 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 Securities Industry and Financial Markets Association (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, 2022, the notional amount of the 2001C/D Swap was $76,055. 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, 2022, this interest rate swap had a fair value of $47.

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 2021B Bonds is based on a percentage of LIBOR as is the variable swap rate received. Consequently, as of September 30, 2022, 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 2022.

NOTE 2. CASH AND INVESTMENTS

District of Columbia Fiduciary Funds

District Retirement Funds Derivative Instruments

During fiscal year 2022, 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 derivative instruments held by the District Retirement Funds as of September 30, 2022.

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

Type of Derivative Instruments	Market Value at September 30, 2022
Forwards	$ 43,038
Liabilities - forwards	(43,219)
Rights/warrants	11,632
Swaps	(394)
Total	**$ 11,057**

Additional information regarding the District Retirement Funds derivative instruments 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 Derivative Instruments

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 2022, the OPEB Fund invested directly in forward currency contracts.

As of September 30, 2022, 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 a rating of “Aaa” for both fiscal years 2022 and 2021; therefore, no collateral had been required to be posted as of September 30, 2022. The net unrealized loss on foreign currency forward contracts for the year ended September 30, 2022 was $966.

NOTE 2. CASH AND INVESTMENTS

Table N2-16 presents a list of the OPEB Fund derivative instruments aggregated by type as of September 30, 2022.

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

	Changes in Fair Value		Fair Value at September 30, 2022		
Type of Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Credit default swaps written	Investment revenue	$ 319	Swaps	$ (5)	$ 148,014
Fixed income futures long	Investment revenue	(768)	Futures	-	-
Fixed income futures short	Investment revenue	11	Futures	-	-
Foreign exchange forwards	Investment revenue	(1,004)	Forwards	(966)	180,642
Pay fixed interest rate swaps	Investment revenue	754	Swaps	1,458	-
Receive fixed interest rate swaps	Investment revenue	(1,057)	Swaps	(1,526)	-
Total		**$ (1,745)**		**$ (1,039)**	

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 DCRB securities to qualified broker-dealers and banks pursuant to a loan agreement. During fiscal year 2022, the District Retirement Funds did not participate in any securities lending transactions.

NOTE 3. RESTRICTED ASSETS

As of September 30, 2022, restricted assets of the primary government, component units, and fiduciary funds totaled $18,748,798.

Table N3-1 presents a summary of District restricted assets as of September 30, 2022.

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	$ 436,791	$ -	$ -	$ -	$ -	$ 436,791
Capital projects	-	-	-	356,665	16,271	372,936
Emergency cash reserves	165,130	-	-	-	-	165,130
Contingency cash reserves	330,259	-	-	-	-	330,259
Other	15,345	734,571	407,669	-	772,609	1,930,194
Total	**$ 947,525**	**$ 734,571**	**$ 407,669**	**$ 356,665**	**$ 788,880**	**$ 3,235,310**

	Business-Type Activities Proprietary Funds			
	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond escrow accounts	$ -	$ -	$ -	$ 259,766
University endowment	-	-	-	36,139
Benefits	175,262	175,262	14,819,086	-
Purpose restrictions	-	-	-	223,235
Total	**$ 175,262**	**$ 175,262**	**$ 14,819,086**	**$ 519,140**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. **Table N4-1** presents District receivables categorized in various funds as of September 30, 2022.

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

	General	Federal and Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Office of Lottery and Gaming	Unemployment Compensation	Not-for-Profit Hospital Corporation	Fiduciary Funds
Gross Receivables								
Taxes	$ 582,127	$ -	$ -	$ 5,319	$ -	$ -	$ -	$ -
Accounts and other	1,128,277	5,017	6,870	34,265	3,696	83,484	27,648	144,853
Lease receivable	407,133	19,227	-	-	-	-	-	-
Federal	720	927,431	105,805	-	-	5,439	-	972
Total gross receivables	2,118,257	951,675	112,675	39,584	3,696	88,923	27,648	145,825
Less: allowance for doubtful accounts	833,909	-	6,870	-	-	40,131	20,808	-
Total net receivables	**$ 1,284,348**	**$ 951,675**	**$ 105,805**	**$ 39,584**	**$ 3,696**	**$ 48,792**	**$ 6,840**	**$ 145,825**

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, 2022.

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**	**Unemployment Compensation**	**Not-for-Profit Hospital Corporation**	**Total**
General Fund								
Motor fuel taxes dedicated to the Highway Trust Fund	$ -	$ -	$ -	$ 22,928	$ 22,928	$ -	$ -	$ 22,928
Paygo - projects financed by the General Fund	-	-	66,196	-	66,196	-	-	66,196
Capital Improvements Fund	-	-	368,414	-	368,414	-	-	368,414
Funds for housing projects and services	-	166,684	-	-	166,684	-	-	166,684
Operating subsidies	-	-	-	-	-	-	22,000	22,000
Total General Fund	-	166,684	434,610	22,928	624,222	-	22,000	646,222
Federal and Private Resources								
FEMA Public Assistance	165,988	-	-	-	165,988	-	-	165,988
American Rescue Plan Act (ARPA)	457,086	-	-	-	457,086	-	-	457,086
Total Federal and Private Resources	623,074	-	-	-	623,074	-	-	623,074
General Capital Improvements								
Unspent capital paygo transferred back to the General Fund	18,273	-	-	-	18,273	-	-	18,273
Total General Capital Improvements	18,273	-	-	-	18,273	-	-	18,273
Nonmajor Governmental Funds								
Excess collections above TIF debt service requirements	1,000	-	-	-	1,000	-	-	1,000
Funds for baseball debt service payments	56,395	-	-	14,617	71,012	-	-	71,012
Paid Family Leave Fund transfer to General Fund & Unemployment Compensation Fund	171,462	-	-	-	171,462	-	-	171,462
Total Nonmajor Governmental Funds	228,857	-	-	14,617	243,474	-	-	243,474
Total Governmental Funds	870,204	166,684	434,610	37,545	1,509,043	-	22,000	1,531,043
Office of Lottery and Gaming	40,670	-	-	-	40,670	-	-	40,670
Total Interfund Transfers	**$ 910,874**	**$ 166,684**	**$ 434,610**	**$ 37,545**	**$ 1,549,713**	**$ -**	**$ 22,000**	**$ 1,571,713**

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, 2022. 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	$ 1,524	$ 25,211	$ 71,882	$ 21,802
Federal and private resources	36	3,721	14,866	38
Housing production trust	-	-	5,826	-
General capital improvements	-	1,477	-	-
Nonmajor funds				
Tax increment financing	1,000	1,122	1,636	1,000
PILOT special revenue	-	-	1,422	-
Baseball special revenue	665	-	1,339	56,395
Universal paid leave fund	-	-	-	2,455
Highway trust	-	-	-	871
Proprietary funds				
Unemployment compensation	-	-	775	15,048
Not-for-profit hospital corporation	-	-	2	139
Component unit				
Health Benefit Exchange Authority	81	877	-	-
Washington Convention and Sports Authority	17,536	2,276	-	-
District of Columbia Green Finance Authority	5,000	-	-	-
Housing Finance Agency	2,893	-	-	-
University of the District of Columbia	6,021	72	-	-
Total	**$ 34,756**	**$ 34,756**	**$ 97,748**	**$ 97,748**

Note:
The above balances represent the impact of transactions among the funds and component units, which will be settled during fiscal year 2023.

NOTE 5. CAPITAL ASSETS

A. CAPITAL OUTLAYS

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled $1,615,696 during the fiscal year ended September 30, 2022. 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, 2021, as restated	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2022
Non-depreciable capital assets						
Land	$ 1,028,470	$ 1,809	$ -	$ (87,560)	$ 24,127	$ 966,846
Construction in progress	1,652,242	980,980	-	-	(1,014,551)	1,618,671
Total non-depreciable capital assets	2,680,712	982,789	-	(87,560)	(990,424)	2,585,517
Depreciable/amortizable capital assets						
Infrastructure	7,899,349	-	-	-	333,398	8,232,747
Buildings	11,398,066	56,275	-	(5,658)	355,332	11,804,015
Equipment	2,103,130	7,333	-	(19,113)	301,694	2,393,044
Right-to-use leased buildings	785,212	375,304	-	-	-	1,160,516
Right-to-use leased equipment	8,204	10,777	-	-	-	18,981
Total depreciable/amortizable capital assets	22,193,961	449,689	-	(24,771)	990,424	23,609,303
Less accumulated depreciation/amortization						
Infrastructure	(3,556,648)	(207,186)	-	-	-	(3,763,834)
Buildings	(2,917,184)	(227,458)	-	1,368	-	(3,143,274)
Equipment	(1,653,386)	(128,390)	-	17,291	-	(1,764,485)
Right-to-use leased buildings	-	(107,309)	-	-	-	(107,309)
Right-to-use leased equipment	-	(5,580)	-	-	-	(5,580)
Total accumulated depreciation/amortization	(8,127,218)	(675,923)	-	18,659	-	(8,784,482)
Total depreciable/amortizable capital assets, net	14,066,743	(226,234)	-	(6,112)	990,424	14,824,821
Net governmental activities capital assets	**$ 16,747,455**	**$ 756,555**	**$ -**	**$ (93,672)**	**$ -**	**$ 17,410,338**

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, 2021, as restated	Additions	Transfers	Dispositions	CIP Transfers In (Out)	Balance September 30, 2022
Governmental direction and support	$ 3,826,977	$ 394,110	$ -	$ (227)	$ 63,604	$ 4,284,464
Economic development and regulation	638,447	39,426	-	(87,560)	23,476	613,789
Public safety and justice	1,410,157	4,221	-	(2,864)	42,846	1,454,360
Public education system	7,565,084	13,204	-	(9,537)	234,640	7,803,391
Human support services	890,694	41	-	-	295,077	1,185,812
Operations and infrastructure	8,891,072	496	-	(12,143)	354,908	9,234,333
Construction in progress	1,652,242	980,980	-	-	(1,014,551)	1,618,671
Total	**$ 24,874,673**	**$ 1,432,478**	**$ -**	**$ (112,331)**	**$ -**	**$ 26,194,820**

NOTE 5. CAPITAL ASSETS

D. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS ACCUMULATED DEPRECIATION/AMORTIZATION BY FUNCTION

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

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

Function	Balance October 1, 2021	Additions	Transfers	Dispositions	Balance September 30, 2022
Accumulated depreciation/amortization					
Governmental direction and support	$ 1,400,241	$ 171,631	$ -	$ (95)	$ 1,571,777
Economic development and regulation	77,997	7,684	-	-	85,681
Public safety and justice	663,980	43,590	-	(2,536)	705,034
Public education system	1,602,309	161,165	-	(8,529)	1,754,945
Human support services	367,516	50,564	-	-	418,080
Operations and infrastructure	4,015,175	241,289	-	(7,499)	4,248,965
Total accumulated depreciation/amortization	**$ 8,127,218**	**$ 675,923**	**$ -**	**$ (18,659)**	**$ 8,784,482**

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, 2021, as restated	Additions	Transfers/ Dispositions	Balance September 30, 2022
Non-depreciable capital assets:				
Land	$ 8,100	$ -	$ -	$ 8,100
Construction in progress	1,931	18	(1,949)	-
Total non-depreciable capital assets	10,031	18	(1,949)	8,100
Depreciable/amortizable capital assets:				
Buildings and improvements	87,461	120	1,949	89,530
Equipment	69,226	1,095	(2,882)	67,439
Right-to-use leased equipment	3,983	-	-	3,983
Total depreciable/amortizable capital assets	160,670	1,215	(933)	160,952
Less accumulated depreciation/amortization for:				
Buildings and improvements	(45,821)	(8,088)	-	(53,909)
Equipment	(58,287)	(6,268)	2,882	(61,673)
Right-to-use leased equipment	-	(1,328)	-	(1,328)
Total accumulated depreciation/amortization	(104,108)	(15,684)	2,882	(116,910)
Total depreciable/amortizable, net	56,562	(14,469)	1,949	44,042
Net capital assets	**$ 66,593**	**$ (14,451)**	**$ -**	**$ 52,142**

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, 2021	Additions/ Adjustments	CIP Transfers/ Dispositions	Balance September 30, 2022
Primary government				
Governmental direction and support				
Finance	$ 38,597	$ 25,414	$ -	$ 64,011
Legislative	1,838	(1,768)	(70)	-
Administrative	102,030	58,719	(63,535)	97,214
Executive	485	1,253	-	1,738
Elections	232	742	-	974
Total	143,182	84,360	(63,605)	163,937
Economic development and regulation				
Community development	148,532	36,837	(23,476)	161,893
Economic regulation	2,431	366	-	2,797
Total	150,963	37,203	(23,476)	164,690
Public safety and justice				
Police	14,434	19,418	(12,935)	20,917
Fire	16,938	21,845	(16,152)	22,631
Corrections	10,636	9,200	(13,758)	6,078
Protection	-	244	-	244
Health and welfare	223	326	-	549
Total	42,231	51,033	(42,845)	50,419
Public education system				
Schools	38,093	232,873	(165,696)	105,270
Culture	40,987	22,475	(6,863)	56,599
Employment services	10,239	5,824	(355)	15,708
Recreation	52,936	40,048	(61,727)	31,257
Total	142,255	301,220	(234,641)	208,834
Human support services				
Health and welfare	284,260	100,600	(295,077)	89,783
Human relations	1,029	1,051	-	2,080
Total	285,289	101,651	(295,077)	91,863
Operations and infrastructure				
Environmental	887,552	404,721	(354,907)	937,366
Economic regulation	770	792	-	1,562
Total	888,322	405,513	(354,907)	938,928
Total construction in progress	**$ 1,652,242**	**$ 980,980**	**$ (1,014,551)**	**$ 1,618,671**

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, 2021, as restated	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2022
Non-depreciable capital assets					
Land	$ 12,814	$ -	$ -	$ -	$ 12,814
Artwork	3,222	-	-	-	3,222
Construction in progress	27,631	21,364	-	(10,307)	38,688
Total non-depreciable capital assets	43,667	21,364	-	(10,307)	54,724
Depreciable/amortizable capital assets					
Buildings and improvements	1,459,099	3,161	(33,425)	10,307	1,439,142
Equipment	216,044	4,305	(776)	-	219,573
Right-to-use leased land	8,012	-	-	-	8,012
Right-to-use leased buildings	58,439	-	-	-	58,439
Right-to-use leased equipment	2,693	-	-	-	2,693
Total depreciable/amortizable capital assets	1,744,287	7,466	(34,201)	10,307	1,727,859
Less accumulated depreciation/amortization					
Buildings and improvements	(770,224)	(54,732)	9,100	-	(815,856)
Equipment	(139,095)	(21,203)	776	-	(159,522)
Right-to-use leased land	(122)	(142)	3	-	(261)
Right-to-use leased buildings	(10,435)	(7,297)	-	-	(17,732)
Right-to-use leased equipment	(412)	(467)	-	-	(879)
Total accumulated depreciation/amortization	(920,288)	(83,841)	9,879	-	(994,250)
Total depreciable/amortizable capital assets, net	823,999	(76,375)	(24,322)	10,307	733,609
Net governmental activities capital assets	**$ 867,666**	**$ (55,011)**	**$ (24,322)**	**$ -**	**$ 788,333**

NOTE 5. CAPITAL ASSETS

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

	Capital Assets				Accumulated Depreciation/Amortization				Net Capital Assets			
Component Units	Balance October 1, 2021, as restated	Additions	Transfers/ Dispositions	Balance September 30, 2022	Balance October 1, 2021, as restated	Additions	Transfers/ Dispositions	Balance September 30, 2022	Balance October 1, 2021, as restated	Additions	Transfers/ Dispositions	Balance September 30, 2022
Health Benefit Exchange Authority	$ 122,899	$ -	$ -	$ 122,899	$ (75,218)	$ (12,290)	$ -	$ (87,508)	$ 47,681	$ (12,290)	$ -	$ 35,391
Washington Convention and Sports Authority	1,162,554	9,923	(33,425)	1,139,052	(640,262)	(45,234)	9,100	(676,396)	522,292	(35,311)	(24,325)	462,656
Housing Finance Agency	7,688	248	(776)	7,160	(5,294)	(337)	776	(4,855)	2,394	(89)	-	2,305
University of the District of Columbia	494,813	18,659	-	513,472	(199,514)	(25,980)	3	(225,491)	295,299	(7,321)	3	287,981
Total	**$ 1,787,954**	**$ 28,830**	**$ (34,201)**	**$ 1,782,583**	**$ (920,288)**	**$ (83,841)**	**$ 9,879**	**$ (994,250)**	**$ 867,666**	**$ (55,011)**	**$ (24,322)**	**$ 788,333**

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 reporting entity of the District. The District bears no responsibility for these obligations and debt 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 an economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the District economic base. As of September 30, 2022, the aggregate outstanding principal amount associated with the Industrial Revenue Bond Program was approximately $4,441,309. Such amounts are not reflected as liabilities of the District in the accompanying government-wide Statement of Net Position as of September 30, 2022.

B. ENTERPRISE ZONE FACILITY BONDS

From January 1, 1998 to December 31, 2011, businesses located in the District Enterprise Zone were eligible to obtain up to $15,000 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. 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, 2022, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $6,989. Such amounts are not reflected as liabilities of the District in the accompanying government-wide Statement of Net Position as of September 30, 2022.

C. TAX INCREMENT FINANCING NOTES

Tax Increment Financing (TIF) is an economic development tool used to facilitate the funding 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, 2022, the aggregate outstanding principal amount for TIF Notes was $36,893. 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, 2022.

DC Arena L.P. Project

In December 2007, the District issued $50,000 in taxable financing notes to fund upgrades associated with the DC Arena L.P. Project at the Capital One Arena, formerly the 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 obligations 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. In fiscal year 2022, the District prepaid $12,100 of principal on the Series 2007A Note. The additional payment was made from excess incremental revenues previously accrued within the Verizon Revenue Fund. As of September 30, 2022, the outstanding principal amount for the DC Arena L.P. Project was $35,230.

Great Streets Retail Priority Areas

Georgia Avenue Retail Project

In September 2009, the Mayor executed the Georgia Avenue Retail Project, Series 2009, TIF Note which was the first Great Streets TIF, in the amount of $1,935. The interest rate on the Note was 5.00%. The Note has a maturity date of June 1, 2035. As of September 30, 2022, the outstanding principal amount for the Georgia Avenue Retail Project was $1,663.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

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

Table N6-1
TIF Notes ($000s)

Issuance Date	Description	Original Amount	Terms
December 2007	DC Arena L.P. Project (Capital One Arena), Series 2007A and 2007B	$ 50,000	Maturity dates: August 15, 2047 and August 15, 2027; interest rates: 6.73% and 6.58%, respectively
September 2009	Georgia Avenue Retail Project, Series 2009	1,935	Maturity date: June 1, 2035; interest rate: 5.00%

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 (DC Code § 1-201.01 et seq.), the Payment in Lieu of Taxes Act of 2004 (DC Code § 1-308.01, et seq.), 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, 2022, the aggregate outstanding principal amount for PILOT Notes was $4,210. 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, 2022.

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, when the PILOT revenues become sufficient. As of September 30, 2022, the outstanding principal amount for the Foundry Lofts Project was $4,210.

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, Series 2010, in the amount of $7,200. The Note had an interest rate of 5.78%. The Note allowed prepayment of principal from PILOT revenues in excess of scheduled debt service. As a result of principal prepayments, the Note was fully paid in fiscal year 2022.

Southwest Waterfront Project Revenue Bonds

In August 2022, the District issued $3,763 in Southwest Waterfront Project Revenue Bonds Series 2022 (The Wharf Project Bonds). The Wharf Project Bonds were issued as developer-held bonds with an interest rate of 2.85% and a maturity date of November 30, 2022. The Wharf Project Bonds were fully paid off in fiscal year 2022 with excess incremental revenues previously accrued into the Redemption Fund. Proceeds from the Wharf Project Bonds funded the construction of infrastructure within the Wharf Phase II project.

Table N6-2 presents a summary of the original loan amounts and terms of the outstanding 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%

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), t/a Events DC, 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 were structured to repay the District and WCSA for their costs of acquiring the land and structures for the hotel. All lease payments were dedicated to the repayment of the WCSA bonds 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.

In accordance with this lease agreement, the tenant exercised a purchase option, and ownership of the land was conveyed to HQ Hotel, LLC in June 2022.

- Lease payments to the District began on June 1, 2017. The final monthly payment in June 2022 was $364.
- Lease payments to WCSA began on October 1, 2014. The final monthly payment in June 2022 was $236.

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, 2022, the total outstanding guaranteed amount under credit enhancement facility agreements was $4,200.

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 2022, 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, 2022, 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, 2022
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
Social Justice Public Charter School	Guarantee to finance payment of rental fees, amounts due under the license, cost and expense associated with collection, and enforcement fees	Rocketship Education DC, Public Charter School, Inc.	500	04/01/2020	Earlier of: (1) the payment in full of all amounts owed to the lender under the credit enhancement agreement, or (2) on the third anniversary of the date of execution of the guarantee	500
Capital Village Public Charter School	Guarantee to finance payment of rental fees, amounts due under the license, cost and expense associated with collection, and enforcement fees	Mosaic Realty Partners	250	07/01/2020	Earlier of: (1) the payment in full of all amounts outstanding and otherwise owed under the Credit Enhancement Agreement, or (2) July 1, 2024	250
Girls Global Academy Public Charter School	Guarantee to finance payment of rental fees, amounts due under the license, cost and expense associated with collection, and enforcement fees	Calvary Baptist Church and Congregation, Inc.	450	07/01/2020	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	450
Lee Montessori Public Charter School	Guarantee to finance principal amount of loan outstanding, interest due, fees, and cost and expenses under loan document	City First Bank, National Association	1,000	11/30/2021	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
Washington Latin Public Charter School	Guarantee to finance the amount due and punctual payment of all amounts due under the loan document	Truist Bank	1,000	09/15/2022	Earlier of: (1) the date upon which all amounts owed to the Senior Lender under the Related Documents have been paid in full and (2) thirty (30) business days after the second (2nd) anniversary of the date of guaranty	1,000
Total outstanding guarantee amount						**$ 4,200**

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 to repay outstanding TIF Notes, if necessary.

Table N6-4 presents the Downtown TIF Area project with nonexchange financial guarantee and estimated future outflows as of September 30, 2022.

Table N6-4
Project with Nonexchange 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, 2022
Capital One Arena (formerly the Verizon Center)	TIF Notes	December 2007	08/15/2047	$ 50,000	$ 2,957
				Total	**$ 2,957**

Note:
Estimated future outflows represent the release of incremental tax revenues related to this 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 District 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 a Certified Business Enterprise 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, 2022, the total outstanding guaranteed amount under the cash collateral agreements by DCCSP was $6,195.

During fiscal year 2022, 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, 2022, 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 nonexchange financial guarantees provided through the District of Columbia Collateral Support Program.

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

Borrower	Lender	Effective Date	Termination/ Maturity Date	Guarantee Amount	Outstanding Guarantee Amount at September 30, 2022
Line of credit					
Broughton Construction Company, LLC	Industrial Bank	04/01/2013	08/01/2029	$ 750	$ 630
Forney Enterprises, Inc.	Industrial Bank	04/15/2013	03/29/2023	500	474
Union Kitchen, LLC	Sandy Spring Bank	10/23/2015	12/01/2022	75	50
SwatchRoom, LLC	FVC Bank	06/20/2016	07/20/2023	150	150
Union Kitchen, LLC	Sandy Spring Bank	06/22/2016	06/22/2023	275	124
Lydia's House in Southeast	Industrial Bank	04/03/2017	07/03/2023	75	75
Broughton Construction Company, LLC	Industrial Bank	08/06/2019	08/06/2024	628	148
Swann Construction, Inc.	City First Enterprises, Inc.	08/30/2021	09/17/2023	75	75
Max Cybersecurity, LLC	City First Enterprises, Inc.	07/08/2021	12/27/2022	30	30
Core Architecture + Design, Inc	Sandy Spring Bank	03/04/2022	03/04/2023	200	200
Broughton Construction Company, LLC	Industrial Bank	04/05/2022	04/04/2025	1,000	1,000
Term loan					
Baked by Yael, LLC	Sandy Spring Bank	09/15/2014	06/15/2025	188	99
Baked by Yael, LLC	Sandy Spring Bank	06/08/2015	06/08/2025	25	17
David's Stars Child Development Center, Inc.	Latino Economic Development Corporation	09/06/2016	12/01/2022	25	25
VOW Transportation, LLC	City First Enterprises, Inc.	02/28/2017	12/01/2022	21	16
Somewhere International, LLC	Latino Economic Development Corporation	03/07/2019	03/10/2024	25	25
Broughton Construction Company, LLC	Industrial Bank	08/01/2019	08/01/2024	652	502
Gatari Child Development Center	City First Enterprises, Inc.	04/12/2021	04/11/2026	150	150
Union Kitchen, LLC	Sandy Spring Bank	09/09/2021	08/20/2028	600	600
Push Studio LLC	City First Enterprises, Inc.	12/02/2021	12/02/2025	25	25
National Children's Museum	United Bank	11/29/2021	11/28/2028	890	890
National Children's Museum	United Bank	11/29/2021	11/28/2028	890	890
Total outstanding guarantee amount					**$ 6,195**

Note:
Termination/Maturity Date: Some termination or maturity dates have 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, 2022.

Table N7-1
Summary of Long-Term Liabilities Outstanding as of September 30, 2022 ($000s)

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
GOVERNMENTAL ACTIVITIES						
General obligation (GO) bonds						
Publicly offered:						
2005B	12/15/2005	116,475	06/01/2027	4.00% - 5.25%	Refund GO Bond Series 1994B,1997A, 1998A, 1998B, and 2001B	$ 165
2010A	12/22/2010	181,330	06/01/2023	1.91% - 5.92%	Build America Bonds - finance capital project expenditures	4,010
2013A	12/18/2013	495,425	06/01/2030	2.00% - 5.00%	Finance capital project expenditures	290,095
2014C	10/23/2014	379,355	06/01/2038	3.00% - 5.00%	Finance capital project expenditures	378,725
2014D	10/23/2014	136,190	06/01/2033	1.00% - 5.00%	Refund GO Bond Series 2008A and 2008D	90,805
2015A	06/24/2015	500,000	06/01/2040	4.00% - 5.00%	Finance capital project expenditures	443,905
2015B	06/24/2015	34,190	06/01/2027	5.00%	Refund portion of GO Bond Series 2005B	34,190
2016A	06/23/2016	431,815	06/01/2041	1.75% - 5.00%	Finance capital project expenditures	384,970
2016D	12/20/2016	398,910	06/01/2041	3.00% - 5.00%	Finance capital project expenditures	366,160
2016E	12/20/2016	190,635	06/01/2033	5.00%	Advance Refund GO Bond Series 2007C	131,160
2017A	06/01/2017	563,520	06/01/2037	3.00% - 5.00%	Refund GO Bond Series 2007A and 2007B	545,530
2017D	12/21/2017	521,705	06/01/2042	4.00% - 5.00%	Finance capital project expenditures	491,630
2018A	08/01/2018	214,525	06/01/2043	5.00%	Finance capital project expenditures	202,010
2018B	08/01/2018	301,160	06/01/2033	3.00% - 5.00%	Refund GO Bond Series 2008E and 2008F	214,835
2019A	02/21/2019	937,775	10/15/2044	4.00% - 5.00%	Finance capital project expenditures and refund GO Bond Anticipation Notes Series 2018	937,675
2021D	11/30/2021	401,715	02/01/2046	4.00% - 5.00%	Finance capital project expenditures and refund GO Bond Anticipation Notes Series 2019	401,715
2021E	11/30/2021	251,430	02/01/2037	4.00% - 5.00%	Refund Income Tax (ITS) Secured Revenue Bond Series 2011A, 2011F-G, 2012A, 2012C, and 2012D	251,430
Total publicly offered						5,169,010

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
Direct placements:						
2017B	11/21/2017	100,000	06/01/2042	Adjusted SIFMA Rate (2.46% as of September 30, 2022)	Finance capital project expenditures	99,985
2017C	11/21/2017	99,935	06/01/2033	Adjusted SIFMA Rate (2.46% as of September 30, 2022)	Refund IT Bond Series 2011E and 2014B	65,005
2021A	11/12/2021	170,610	06/01/2039	Adjusted SIFMA Rate (2.46% as of September 30, 2022)	Refund GO Bond Series 2016B	170,135
2021B	11/12/2021	174,675	06/01/2027	Adjusted SIFMA Rate (2.46% as of September 30, 2022)	Refund GO Bond Series 2016C	148,175
2021C	11/30/2021	350,000	11/01/2046	Adjusted SIFMA Rate (2.46% as of September 30, 2022)	Finance capital project expenditures	350,000
Total direct placements						833,300
Total general obligation bonds						**$ 6,002,310**
Qualified zone academy bonds (QZAB) - Direct Placements						
2010	06/30/2010	4,143	12/01/2024	0.00%	Finance projects of traditional public and public charter schools.	$ 829
Total direct placements						**$ 829**
Income tax secured revenue bonds						
2009E	12/22/2009	501,290	12/01/2034	4.34% - 5.59%	Finance capital project expenditures, capitalized interest and pay financing cost	$ 409,375
2010D	06/03/2010	32,945	12/01/2026	5.00%	Finance costs of Qualified School Construction projects and pay for financing costs.	32,945
2010F	12/22/2010	342,615	12/01/2035	4.71% - 5.58%	Finance capital project expenditures and pay for the costs and expenses of issuing and delivering the Bonds.	342,615
2012A-B	05/16/2012	314,110	12/01/2027	2.00% - 5.00%	Refund GO Bond Series 2002C, 2004A, 2005A. Pay for and/or reimburse capital projects costs and pay for the costs and expenses of delivering the bonds	27,765
2012C-D	11/28/2012	775,770	12/01/2037	2.00% - 5.00%	Finance capital project expenditures; current refund PILOT Revenue BANs, Series 2010; and pay for the costs and expenses of delivering the Bonds.	25,095
2014A	09/10/2014	155,665	12/01/2025	1.00% - 5.00%	Current refund Certificate of Participation, Series 2003; advance refund Certificate of Participation, Series 2006; and pay the costs and expenses of issuing and delivering the Bonds	66,275

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
2019A	12/04/2019	718,945	03/01/2044	3.00% - 5.00%	Finance capital project expenditures and refund a portion of GO Commercial Paper Bond Anticipation Note, Series 2018	718,845
2019B	12/04/2019	60,000	03/01/2039	1.78% - 3.20%	Provide funds for New Communities Initiative; refund IT Secured Revenue Bond Anticipation Notes, Series 2019A; and pay the costs and expenses of delivering the Bonds	52,995
2019C	12/04/2019	583,395	10/01/2036	1.14% - 2.12%	Refund IT Bond Series 2009A, 2009B, 2009C, HPTF 2007A, and GO 2007A. Pay the costs and expenses of delivering the Bonds	505,415
2020A	03/11/2020	578,110	03/01/2045	2.63% - 5.00%	Finance capital projects and refund GO Commercial Paper Bond Anticipation Note, Series 2019	566,110
2020B	03/11/2020	454,435	10/01/2031	5.00%	Current Refund and defease IT Series 2010A. Pay the costs and expenses of delivering the Bonds	423,270
2020C	07/23/2020	392,870	05/01/2045	4.00% - 5.00%	Finance capital projects, pay the costs and expenses of delivering the Bonds	392,770
2020D	07/23/2020	234,915	12/01/2039	0.35% - 2.34%	Refund IT Bond Series 2010A, 2011A, 2011G, Deed Tax Revenue Bond Series 2010A, 2010B. Pay the costs and expenses of delivering the Bonds	229,840
2022A	07/27/2022	648,860	07/01/2047	5.00%	Finance capital project expenditures and pay the costs and expenses of delivering the Bonds	648,860
2022B	07/27/2022	139,305	07/01/2031	3.42% - 3.86%	Finance capital project expenditures and pay the costs and expenses of delivering the Bonds	139,305
2022C	09/07/2022	635,330	12/01/2037	5.00%	Refund IT Bond Series 2012A, 2012B, 2012C, and 2012D	635,330
Total income tax secured revenue bonds						**$ 5,216,810**
Tobacco settlement asset-backed bonds						
2001	02/01/2001	521,105	05/15/2040	5.20% - 6.75%	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	$ 209,765
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						**$ 458,029**

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
Tax increment financing (TIF) bonds						
Publicly offered:						
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	$ 35,430
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	20,580
Bryant Street Project, Series 2019	10/31/2019	17,300	06/01/2043	4.00% - 5.00%	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
Union Market Project, Series 2021A	09/29/2021	14,778	06/01/2046	3.75% - 4.25%	Finance or reimburse certain costs incurred for development and financing of Union Market Project. Fund debt service reserve accounts, pay the costs and expenses of issuing and delivering the Bonds. Pay certain administrative expenses of the bonds	14,778
Total publicly offered						88,088
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	16,718
Reunion Square Project, Series 2022A	06/29/2022	15,100	06/29/2026	Lesser of (i) 12% per annum, and (ii) the maximum nonusurious rate of interest on the Bonds permitted by District law	Financed with U.S. Bank Trust Company, National Association to reimburse for eligible development costs associated with the Reunion Square Project and costs of issuance	2,060
Total direct placements						18,778
Total tax increment financing (TIF) bonds						**$ 106,866**

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
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	$ 133,250
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						**$ 179,205**
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	$ 28,075
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	20,685
2020	02/13/2020	227,710	12/01/2034	5.00%	Finance a portion of the South Capitol Street Bridge Project and pay certain costs of issuing the Bonds	217,745
Total federal highway grant anticipation revenue bonds (GARVEE)						**$ 266,505**
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.	$ 1,445
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	31,350
Total deed tax revenue bonds (Housing production trust fund program)						**$ 32,795**

NOTE 7. LONG-TERM LIABILITIES

Series	Issue Date	Issue Amount	Maturity Date	Interest Rate	Purpose	Balance
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)	$ 132,060
Total publicly offered						132,060
Direct placements:						
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 drawdown 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 drawdowns as of September 30, 2022 is $56,510).	24,214
Total direct placements						24,214
Total payment in lieu of taxes revenue bonds and notes						**$ 156,274**
Total bonds and notes						**$ 12,419,623**
Other long-term liabilities						
225 Virginia Avenue lease						$ 65,714
Premium on long-term debt						1,340,661
Bond anticipation notes						134,665
Accreted interest						450,858
Lease liability						1,104,597
Long-term tax refunds						224,059
Annual leave						373,519
Disability compensation						66,242
Grant disallowances						2,945
Claims and judgments						97,018
Net pension liability						298,308
Net OPEB liability						173,193
Total other long-term liabilities						**$ 4,331,779**
Total long-term liabilities – governmental activities						**$ 16,751,402**
BUSINESS-TYPE ACTIVITIES						
Compensated absences						$ 1,015
Lease liability						2,665
Estimated third-party settlements						10,547
Malpractice loss reserves						5,908
Total long-term liabilities – business-type activities						**$ 20,135**

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 **N7-20** present annual debt service requirements to maturity for the outstanding long-term liabilities of the District as of September 30, 2022.

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

Year Ended September 30	Principal	Interest	Total
2023	$ 183,035	$ 249,926	$ 432,961
2024	188,700	240,722	429,422
2025	202,055	231,106	433,161
2026	214,515	221,086	435,601
2027	214,230	210,403	424,633
2028-2032	1,275,350	879,972	2,155,322
2033-2037	1,634,190	525,451	2,159,641
2038-2042	948,000	186,990	1,134,990
2043-2046	308,935	24,357	333,292
Total	**$ 5,169,010**	**$ 2,770,013**	**$ 7,939,023**

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

Year Ended September 30	Principal	Interest	Total
2023	$ 51,055	$ 27,823	$ 78,878
2024	43,080	28,617	71,697
2025	57,755	26,323	84,078
2026	46,245	24,049	70,294
2027	48,120	22,082	70,202
2028-2032	36,390	100,090	136,480
2033-2037	14,865	94,496	109,361
2038-2042	292,135	74,887	367,022
2043-2047	243,655	18,893	262,548
Total	**$ 833,300**	**$ 417,260**	**$ 1,250,560**

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

Year Ended September 30	Principal
2023	$ 276
2024	276
2025	277
Total	**$ 829**

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

Year Ended September 30	Principal	Interest	Total
2023	$ 232,560	$ 228,999	$ 461,559
2024	253,395	228,537	481,932
2025	267,195	215,866	483,061
2026	265,765	203,302	469,067
2027	288,185	189,939	478,124
2028-2032	1,444,000	741,433	2,185,433
2033-2037	1,171,215	424,335	1,595,550
2038-2042	750,530	208,585	959,115
2043-2047	543,965	58,448	602,413
Total	**$ 5,216,810**	**$ 2,499,444**	**$ 7,716,254**

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

Year Ended September 30	Principal	Interest	Total
2023	$ 63,520	$ 14,104	$ 77,624
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	**$ 458,029**	**$ 4,212,934**	**$ 4,670,963**

Table N7-7
TIF - City Market at O Street Bonds - Publicly Offered ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 850	$ 1,763	$ 2,613
2024	1,150	1,729	2,879
2025	1,305	1,672	2,977
2026	1,370	1,606	2,976
2027	1,440	1,538	2,978
2028-2032	8,265	6,620	14,885
2033-2037	10,530	4,353	14,883
2038-2041	10,520	1,382	11,902
Total	**$ 35,430**	**$ 20,663**	**$ 56,093**

NOTE 7. LONG-TERM LIABILITIES

Table N7-8
TIF - Gallery Place Bonds - Publicly Offered ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 2,780	$ 1,029	$ 3,809
2024	2,920	890	3,810
2025	3,065	744	3,809
2026	3,215	591	3,806
2027	3,380	430	3,810
2028-2029	5,220	345	5,565
Total	**$ 20,580**	**$ 4,029**	**$ 24,609**

Table N7-9
TIF - Bryant Street Bonds - Publicly Offered ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 510	$ 734	$ 1,244
2024	535	708	1,243
2025	565	681	1,246
2026	590	653	1,243
2027	620	624	1,244
2028-2032	3,575	2,643	6,218
2033-2037	4,380	1,844	6,224
2038-2042	5,330	895	6,225
2043	1,195	48	1,243
Total	**$ 17,300**	**$ 8,830**	**$ 26,130**

Table N7-10
TIF - Union Market Project - Publicly Offered ($000s)

Year Ended September 30	Principal	Interest	Total
2026	$ -	$ 365	$ 365
2027	503	814	1,317
2028-2032	2,797	3,786	6,583
2033-2037	3,357	3,225	6,582
2038-2042	4,135	2,448	6,583
2043-2046	3,986	1,280	5,266
Total	**$ 14,778**	**$ 11,918**	**$ 26,696**

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

Year Ended September 30	Principal	Interest	Total
2023	$ 709	$ 645	$ 1,354
2024	737	616	1,353
2025	766	587	1,353
2026	796	556	1,352
2027	828	524	1,352
2028-2032	4,654	2,093	6,747
2033-2037	5,646	1,082	6,728
2038-2039	2,582	103	2,685
Total	**$ 16,718**	**$ 6,206**	**$ 22,924**

Table N7-12
TIF - Reunion Square Project - Direct Placements ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ -	$ 52	$ 52
2024	-	52	52
2025	-	52	52
2026	2,060	44	2,104
Total	**$ 2,060**	**$ 200**	**$ 2,260**

Table N7-13
Ballpark Revenue Bonds ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 4,525	$ 10,360	$ 14,885
2024	17,215	9,761	26,976
2025	18,735	8,800	27,535
2026	20,350	7,753	28,103
2027	9,690	6,925	16,615
2028-2032	51,825	25,487	77,312
2033-2036	56,865	7,373	64,238
Total	**$ 179,205**	**$ 76,459**	**$ 255,664**

NOTE 7. LONG-TERM LIABILITIES

Table N7-14
Federal Highway Grant Anticipation Revenue Bonds - GARVEE ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 14,880	$ 13,010	$ 27,890
2024	15,655	12,235	27,890
2025	16,475	11,415	27,890
2026	17,340	10,551	27,891
2027	18,235	9,652	27,887
2028-2032	106,210	33,235	139,445
2033-2035	77,710	5,958	83,668
Total	**$ 266,505**	**$ 96,056**	**$ 362,561**

Table N7-15
Deed Tax Revenue Bonds - Housing Production Trust Fund ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 2,535	$ 1,230	$ 3,765
2024	1,150	1,103	2,253
2025	1,190	1,057	2,247
2026	1,240	1,010	2,250
2027	1,290	960	2,250
2028-2032	7,050	4,187	11,237
2033-2037	8,325	2,923	11,248
2038-2042	10,015	1,234	11,249
Total	**$ 32,795**	**$ 13,704**	**$ 46,499**

Table N7-16
PILOT - Southwest Waterfront Project Revenue Bonds - The Wharf - Publicly Offered ($000s)

Year Ended September 30	Principal	Interest	Total
2023	$ 4,970	$ 6,218	$ 11,188
2024	5,150	6,038	11,188
2025	5,350	5,840	11,190
2026	5,560	5,630	11,190
2027	5,790	5,400	11,190
2028-2032	33,000	22,942	55,942
2033-2037	41,795	14,145	55,940
2038-2040	30,445	3,120	33,565
Total	**$ 132,060**	**$ 69,333**	**$ 201,393**

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

Year Ended September 30	Principal	Interest	Total
2023	$ -	$ 977	$ 977
2024	-	1,008	1,008
2025	24,214	300	24,514
Total	**$ 24,214**	**$ 2,285**	**$ 26,499**

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

Year Ended September 30	Principal	Interest	Total
2023	$ 4,991	$ 4,283	$ 9,274
2024	5,338	3,935	9,273
2025	5,710	3,564	9,274
2026	6,107	3,166	9,273
2027	6,533	2,741	9,274
2028-2032	37,035	6,241	43,276
Total	**$ 65,714**	**$ 23,930**	**$ 89,644**

Table N7-19 presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2022. 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 109.

Table N7-19
Aggregate Debt Service Requirements and Net Receipts/Payments on Hedging Derivative Instruments ($000s)

Year Ended September 30	Principal	Interest	Hedging Derivative Instruments, Net	Total
2023	$ 27,475	$ 4,052	$ 1,264	$ 32,791
2024	28,350	3,278	1,009	32,637
2025	29,625	2,430	793	32,848
2026	30,725	1,577	538	32,840
2027	32,000	687	273	32,960
Total	**$ 148,175**	**$ 12,024**	**$ 3,877**	**$ 164,076**

NOTE 7. LONG-TERM LIABILITIES

C. LONG-TERM DEBT ACTIVITY

Table N7-20 presents the long-term debt activity for the year ended September 30, 2022.

Table N7-20
Long-Term Debt Activity ($000s)

	Balance October 1, 2021, as restated	Additions	Reductions	Balance September 30, 2022	Due Within One Year
Governmental Activities					
General obligation bonds - publicly offered	$ 4,683,745	$ 653,145	$ (167,880)	$ 5,169,010	$ 183,035
General obligation bonds - direct placements	519,005	695,285	(380,990)	833,300	51,055
Qualified zone academy bonds (QZAB) - direct placements	1,105	-	(276)	829	276
Income tax secured revenue bonds	4,954,180	1,423,495	(1,160,865)	5,216,810	232,560
Tobacco settlement asset-backed bonds	487,644	-	(29,615)	458,029	63,520
Tax increment financing bonds - publicly offered	105,803	-	(17,715)	88,088	4,140
Tax increment financing bonds - direct placements	17,400	2,060	(682)	18,778	709
Ballpark revenue bonds	183,200	-	(3,995)	179,205	4,525
Federal highway grant anticipation revenue bonds (GARVEE)	280,675	-	(14,170)	266,505	14,880
Deed tax revenue bonds (housing production trust fund program)	35,215	-	(2,420)	32,795	2,535
PILOT revenue bonds - publicly offered	136,765	-	(4,705)	132,060	4,970
PILOT revenue bonds and notes - direct placements	37,431	7,903	(21,120)	24,214	-
225 Virginia Avenue lease	70,380	-	(4,666)	65,714	4,991
Premium on long-term debt	1,214,119	349,970	(223,428)	1,340,661	135,465
Bond anticipation notes	163,665	121,000	(150,000)	134,665	-
Accreted interest	407,223	43,635	-	450,858	-
Lease liability	793,416	386,471	(75,290)	1,104,597	98,983
Long-term tax refunds	218,463	5,596	-	224,059	-
Long-term payroll accrual	1,217	-	(1,217)	-	-
Annual leave	322,978	394,576	(344,035)	373,519	373,131
Disability compensation	68,800	-	(2,558)	66,242	-
Grant disallowances	11,970	-	(9,025)	2,945	-
Claims and judgments	89,588	48,852	(41,422)	97,018	-
Net pension liability	-	298,308	-	298,308	-
Net OPEB liability	-	173,193	-	173,193	-
Total long-term liabilities - governmental activities	**$ 14,803,987**	**$ 4,603,489**	**$ (2,656,074)**	**$ 16,751,402**	**$ 1,174,775**
Business-Type Activities					
Obligation for unpaid prizes	$ 410	$ -	$ (410)	$ -	$ -
Compensated absences	1,104	750	(839)	1,015	320
Lease liability	3,983	-	(1,318)	2,665	1,329
Estimated third-party settlements	18,762	315	(8,530)	10,547	-
Malpractice loss reserves	1,692	4,216	-	5,908	-
Total long-term liabilities - business-type activities	**$ 25,951**	**$ 5,281**	**$ (11,097)**	**$ 20,135**	**$ 1,649**

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 Secured (ITS) Revenue 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 issues other types of debt to fulfill other purposes. Tax Increment Financing (TIF) and Payment In Lieu of Taxes (PILOT) Bonds and Notes are issued 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 projects and construction of the HQ Hotel; 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 Anticipation Revenue Bonds and Tobacco Settlement Asset-Backed Bonds. As of September 30, 2022, total bonds and notes outstanding totaled $12,419,623.

NOTE 7. LONG-TERM LIABILITIES

Debt Limit

The District is subject to a debt limit that prohibits the issuance of bonds if the applicable annual debt service on the proposed bonds would cause the debt service on all bonds in the fiscal year in which the proposed bonds are issued, or in any of the five succeeding fiscal years, to exceed 12 percent of total expenditures in any applicable fiscal year. At September 30, 2022, the legal debt service cost limit was $1,448,645, and the debt service cost applicable to the limit was $980,984, which represents 67.72% of the limit.

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, to 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 $465,413 in fiscal year 2022. As of September 30, 2022, the total GO Bonds outstanding is $6,002,310.

New General Obligation Bond Issuance

In November 2021, the District issued $350,000 in Series 2021C Multimodal GO Bonds. The proceeds of the bonds were used to finance capital project expenditures under the capital improvements plan of the District. Interest rates on the Series 2021C Bonds are variable, based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index plus spread.

Also in November 2021, the District issued $401,715 in Series 2021D GO Bonds. The proceeds of the bonds were used to finance capital project expenditures under the capital improvements plan of the District, refinance GO bond anticipation notes and pay the costs and expenses of issuing the bonds. Interest rates on the Series 2021D Bonds range from 4.00% to 5.00%.

General Obligation Refunding Bonds

In November 2021, the District issued $170,610 in Series 2021A and $174,675 in Series 2021B Multimodal GO Refunding Bonds. The Series 2021A and Series 2021B Bonds were issued to current refund the 2016B and Series 2016C Multimodal GO Bonds. The issuance established a new mandatory tender date for the refunded Series 2016B and Series 2016C Multimodal GO Bonds, extending the date from December 2021 to June 2027. The refunding did not produce an economic gain or loss.

Also in November 2021, the District issued $251,430 in Series 2021E GO Refunding Bonds. The Series 2021E Bonds current refunded all or a portion of the outstanding Income Tax Secured Revenue Bonds, Series 2011A, Series 2011F, Series 2011G, Series 2012A, Series 2012C, and Series 2012D of the District, and paid the costs and expenses of issuing and delivering the Series 2021E Bonds. The refunding produced an aggregate difference in debt service of $60,173 and an economic gain of $59,858.

Income Tax Secured Revenue Bonds

The Income Tax Secured Bond Authorization Act authorizes the District to issue up to $9,180,985 of ITS Bonds to fund capital projects. Debt service on ITS Revenue Bond debt totaled $367,623 in fiscal year 2022. As of September 30, 2022, the total ITS Revenue Bonds outstanding is $5,216,810.

New Income Tax Secured Revenue Bonds

In July 2022, the District issued $648,860 in Series 2022A Tax-Exempt Income Tax Secured Revenue Bonds and $139,305 in Series 2022B Taxable Income Tax Secured Revenue Bonds. The proceeds of the bonds were used to finance capital project expenditures under the capital improvements plan of the District and pay the costs and expenses of issuing the bonds. Interest rates on the bonds range from 3.42% to 5.00%.

Income Tax Secured Revenue Refunding Bonds

In September 2022, the District issued $635,330 in Series 2022C Tax-Exempt Income Tax Secured Revenue Refunding Bonds. Proceeds were used to advance refund the Series 2012A, 2012B, 2012C and 2012D Income Tax Secured Revenue Bonds and pay the costs of issuance. The refunding produced an aggregate difference in debt service of $81,629 and an economic gain of $73,897.

NOTE 7. LONG-TERM LIABILITIES

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. Pledged revenues are escrowed four months prior to an ITS bond debt service payment.

The ITS Bond debt service coverage ratio, pledged revenue divided by debt service, is an indication of the District's capacity to satisfy ITS debt service obligations with pledged revenue. In fiscal year 2022, the District collected $4,108,313 in pledged revenue and debt service on ITS bonds totaled $367,623. The debt service coverage ratio was 11.18 to 1.

On September 30, 2022, pledged revenue in the amount of $227,908 was held in escrow for the payment of debt service on the ITS revenue bonds. Payments were made on October 1, 2022, for $100,730, November 1, 2022 for $9,264, December 1, 2022 for $100,965, and January 1, 2023 for $5,441.

Table N7-21 presents the pledged revenue held in bond escrow as of September 30, 2022.

Table N7-21
Debt Service Coverage Ratio
Income Tax Secured Revenue Bonds ($000s)

Available Tax Revenues Collected in FY 2022		
Individual income		$ 3,116,991
Business franchise		991,322
Total		**$ 4,108,313**
Amount held in escrow for FY 2023 debt service	(a)	227,908
ITS Debt Service Requirement	(b)	216,400
Rate of coverage (c)=(a)/(b)	(c)	105.32%

Tax Increment Financing and Payments in Lieu of Taxes

The Tax Increment Financing Act provides the District with 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, 2022, the TIF and PILOT debt outstanding totaled $263,140.

New TIF Revenue Bond and Note Issuance

In June 2022, the District issued $15,100 in Reunion Square Project Tax Increment Revenue Bonds Series 2022 (the Reunion Square TIF Bonds). The Reunion Square TIF Bonds were issued as drawdown bonds. Proceeds from the Reunion Square TIF Bonds will fund the construction of infrastructure, relocation of utilities and other development costs within the Reunion Square TIF Area. The Bonds are secured by certain sales taxes and real property taxes generated in the Reunion Square TIF Area, in addition to the security from the Available Increment.

TIF Bond Redemption

In fiscal year 2022, the District paid $10,065 of principal on outstanding Gallery Place Project Tax Increment Revenue Refunding Bonds Series 2012 (Gallery Place Bonds). The additional payments were made from excess incremental revenues previously accrued within the Gallery Place Project Revenue Fund.

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, 2022, the Ballpark Revenue Bonds outstanding totaled $179,205.

Federal Highway Grant Anticipation Revenue Bonds - GARVEE

The Transportation Infrastructure Improvement GARVEE Bonding 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, 2022, the GARVEE bonds outstanding totaled $266,505.

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 Revenue Bonds. As of September 30, 2022, Deed Tax Revenue Bonds outstanding totaled $32,795.

NOTE 7. LONG-TERM LIABILITIES

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 agreement 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. The LIBOR index on the revolving note facility will be changed to another non-LIBOR index before the LIBOR cessation deadline on June 30, 2023. District statute stipulates that BANs are to be paid or refinanced with long-term debt, no later than the last day of the third fiscal year following the fiscal year of issuance.

In March 2021, 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 (2021 Notes) held by U.S. Bank National Association. The facility expires in March 2024. As of September 30, 2022, $13,665 in notes were outstanding.

New Income Tax Secured Revenue Notes BAN

In May 2022, the District established a direct pay letter of credit with Barclays Bank PLC. The letter of credit allows the District to issue up to a maximum principal amount of $300,000 of GO CP BANs (2022 CP Notes). The facility expires in May 2025. As of September 30, 2022, $121,000 notes drawn against this credit facility were outstanding.

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, 2022, governmental activities included direct placements with investors for GO, QZAB, TIF, and PILOT bonds and notes. The District did not have any direct borrowings with any lenders as of September 30, 2022.

General Obligation Bond Direct Placements

The District has five series of variable rate GO Bonds outstanding that were sold as direct placements. The Series 2017B, Series 2017C, Series 2021A and 2021C are SIFMA Index Bonds and pay the holder a floating index rate based on the SIFMA Municipal Swap Index plus spread. The Series 2021B LIBOR Index Bonds pay the holder a floating index rate based on BBA LIBOR Index plus spread. The LIBOR index on Series 2021B will be changed to another non-LIBOR index before the LIBOR cessation deadline on June 30, 2023. As of September 30, 2022, the outstanding variable rate GO Bonds direct placements totaled $833,300.

Qualified Zone Academy Revenue Bonds

The District has one Qualified Zone Academy Revenue Bond (QZAB) issue outstanding that was sold as a direct placement. 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, 2022, the QZAB Bonds outstanding totaled $829.

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), Southwest Waterfront Project PILOT Revenue Bond Series 2020 (The Wharf Project), and the Reunion Square TIF Bond Series 2022 were sold as direct placements. The Anacostia Waterfront Corporation PILOT Revenue Bond Series 2007 and Southwest Waterfront Project PILOT Revenue Bond Series 2020 were fully paid off in fiscal year 2022. As of September 30, 2022, TIF Bonds and PILOT revenue notes issued as direct placements outstanding balance totaled $42,992.

Unused Lines of Credit

The Southeast Federal Center PILOT Revenue Note (The Yards Note) and the Reunion Square TIF Bond Series 2022 are funded through drawdown facilities. As of September 30, 2022, The Yards Note and the Reunion Square Bond had an unused line of credit in the amount of $6,290 and $13,040, respectively.

E. EVENTS OF DEFAULT AND REMEDIES

Failure by the District to pay the principal or interest on any debt when due or failure to observe and comply with any covenant, condition, agreement or provision in any indenture applicable to its varying 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

NOTE 7. LONG-TERM LIABILITIES

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 February 22, 2018, the Washington Convention and Sports Authority (WCSA) issued $333,100 in Series 2018A and Series 2018B Senior Lien Dedicated Tax Revenue Refunding Bonds with interest rates ranging from 1.39% to 3.00%. The proceeds from the Bonds were used to current refund outstanding maturities of Series 2007 and advance refund Series 2010C, respectively. WCSA deposited the net proceeds from Series 2018B along with other WCSA funds in an irrevocable trust to provide for all future debt service on the refunded Series 2010C Bonds. As a result, the Series 2010C Bonds are considered legally defeased and, as such, are not reflected in Bonds Payable within the financial statements for WCSA at September 30, 2022.

In May 2021, WCSA issued $53,500 in Senior Lien Dedicated Tax Revenue Refunding Bonds, Series 2021A (Tax-Exempt), $70,355 Senior Lien Dedicated Tax Revenue Refunding Bonds, Series 2021B (Tax-Exempt), and $29,360 Senior Lien Dedicated Tax Revenue Refunding Bonds, Series 2021C (Federally Taxable).

The proceeds of the Series 2021A Bonds were used, together with certain other funds of the WCSA, to refund all the outstanding Series 2010A Bonds. The proceeds of the Series 2021B Bonds were used, together with certain other funds of the WCSA, to: (i) refund a portion of the outstanding Series 2010B Bonds; (ii) fund the reserve requirement for the Series 2021B Bonds; and (iii) pay the costs of issuance of the Series 2021B Bonds and the TIF Note. The proceeds of the Series 2021C Bonds were used to: (i) refund the remaining portion of the outstanding Series 2010B Bonds; (ii) refund a portion of the outstanding Series 2018A Bonds; (iii) fund the reserve requirement for the Series 2021C Bonds, and (iv) pay costs of issuance of the Series 2021A Bonds and Series 2021C Bonds.

The Series 2021A, 2021B, and 2021C bonds have final maturities ranging from October 1, 2029 to October 1, 2040. Interest rates on the bonds range from 0.56% to 5.00%. The refundings produced an aggregate difference in debt service of $29,363 and an economic gain of $28,456.

Table N7-22 presents the debt service requirements to maturity for the outstanding bonds for WCSA as of September 30, 2022.

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

Year Ended September 30	Principal	Interest	Total
2023	$ 10,705	$ 17,083	$ 27,788
2024	13,040	16,571	29,611
2025	13,570	16,120	29,690
2026	16,285	15,631	31,916
2027	34,940	15,075	50,015
2028-2032	169,735	49,535	219,270
2033-2037	67,845	21,700	89,545
2038-2041	63,130	6,267	69,397
Subtotal	389,250	157,982	547,232
Add:			
Unamortized bond premium	58,618	-	58,618
Total	**$ 447,868**	**$ 157,982**	**$ 605,850**

For more information on the long-term debt activity of WCSA, refer to the separately issued financial statements for fiscal year 2022. The contact information can be found in Note 1 on page 73.

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 multi-family 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

NOTE 7. LONG-TERM LIABILITIES

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 2022, HFA issued certain multi-family revenue bonds in a drawdown mode. Consequently, out of the total amount of bonds closed, only a portion may get drawn during any given reporting period.

Table N7-23 presents the debt service requirements to maturity for principal and interest for the HFA outstanding bonds as of September 30, 2022.

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

Year Ended September 30	Principal	Interest	Total
2023	$ 1,933	$ 8,649	$ 10,582
2024	2,065	8,483	10,548
2025	19,249	8,375	27,624
2026	3,937	8,087	12,024
2027	11,747	7,977	19,724
2028-2032	43,549	35,085	78,634
2033-2037	23,599	30,950	54,549
2038-2042	126,780	20,366	147,146
2043-2047	16,186	6,261	22,447
2048-2052	22,276	2,861	25,137
2053-2057	5,960	884	6,844
2058-2062	675	15	690
Subtotal	277,956	137,993	415,949
Add:			
Unamortized bond premium	46	-	46
Total	**$ 278,002**	**$ 137,993**	**$ 415,995**

For more information on the long-term debt activity of HFA, refer to the separately issued financial statements for fiscal year 2022. The contact information can be found in Note 1 on page 73.

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 $458,029 in bonds outstanding as of September 30, 2022.

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, 2022, there were 765 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, 2022, 2021, and 2020, were $5,447, $6,236, and $6,985, 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 income earned by District employees, up to but not exceeding the applicable social security wage base, which was $147,000 (not in thousands) for 2022, 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 the gross income earned 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 (not in thousands), 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, 2022, 2021, and 2020, were $129,100, $117,998, and $115,193, respectively. In addition, District contributions for Medicare for fiscal years 2022, 2021, and 2020, were $47,464, $44,750, and $43,717, respectively.

District Retirement Funds

General Information about the Pension Plans

Plan Description

DCRB administers the District Retirement Funds (DC 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 DC Code (DC Code § 38-2021.01 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 (DC Code § 5-701 et seq.).

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 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 be further increased by crediting unused sick leave as of the date of retirement. Participants receiving retirement benefits receive an annual benefit increase proportional to changes in the Consumer Price Index; however, the annual increase may not exceed 3.00% for participants hired on or after November 1, 1996. Participants who have five years of school service and who become disabled and can no longer perform their jobs satisfactorily may be eligible for disability retirement. Voluntary retirement is available for teachers who have a minimum of five years of school service and who achieve certain age and length of service requirements. Employees who are involuntarily separated other than for cause and who have five years of school service may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service. An involuntary retirement benefit is reduced if at the time of its commencement the participant is under the age of 55.

The District of Columbia Police Officers and Fire Fighters' Retirement Fund

A participant becomes a member when he or 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 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.

NOTE 8. RETIREMENT PROGRAMS

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, 2022 and 2021.

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

	2022	2021
Teachers' Retirement Fund		
Inactive plan members	4,065	4,072
Active plan members	6,088	6,050
Vested terminations	1,718	1,514
Total	**11,871**	**11,636**
Police Officers and Fire Fighters' Retirement Fund		
Inactive plan members	4,373	4,115
Active plan members	5,133	5,242
Vested terminations	356	342
Total	**9,862**	**9,699**

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 effective on September 18, 1998. The amount of the District's contributions for fiscal years 2022 and 2021 were equal to the amounts computed by the independent actuary of the DCRB. Plan members contribute by salary deductions at rates established by DC Code § 5-706. Members contribute 7.00% (or 8.00% for teachers hired on or after November 1, 1996 and for police officers and firefighters hired on or after November 10, 1996) 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 DC Code § 5-706 and requirements for District contributions to the District Retirement Funds are established by DC Code § 1-907.02, 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 2022 and 2021.

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

Year Ended September 30	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund
2022	$ 75,060	$ 108,965
2021	70,478	109,933

NOTE 8. RETIREMENT PROGRAMS

Net Pension Liability

The District net pension liability (asset) was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of September 30, 2022. **Table N8-3** presents the aggregate amounts of the District Retirement Funds as of September 30, 2022.

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

	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total
Total pension liabilities	$ 2,871,570	$ 6,639,124	$ 9,510,694
Pension net position	2,573,262	6,901,351	9,474,613
Deferred outflows of resources	264,088	726,113	990,201
Deferred inflows of resources	53,583	242,557	296,140
Pension expense	93,946	157,677	251,623
Net pension liabilities (assets)	298,308	(262,227)	36,081

Actuarial Assumptions

The total pension liability was determined based on an actuarial valuation as of September 30, 2022, using actuarial assumptions presented in **Table N8-4**. The assumptions were applied to all periods included in the measurement as of September 30, 2022.

Table N8-4
District Retirement Funds: Summary of Actuarial Assumptions Used to Determine Total Pension Liability as of September 30, 2022

	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund
Inflation	3.00%	3.00%
Salary increases	4.00% - 7.10%	6.25% - 7.25% for police, 4.50% - 6.05% for firefighters
Investment rate of return	6.25%, net of pension plan investment expense	6.25%, net of pension plan investment expense
Mortality	Healthy: Pub-2010 General Employee and Healthy Retiree Mortality with generational projection using MP-2021 improvement scale	Healthy: Pub-2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, with generational projection using MP-2021 improvement scale
	Disabled: Pub-2010 General Disabled Retiree Mortality with generational projection using MP-2021 improvement scale	Disabled: Pub-2010 Public Safety Disabled Retiree Mortality with generational projection using MP-2021 improvement scale
Cost of living adjustments	3.00% for members hired on or after November 1, 1996	3.00% for members hired on or after November 1, 1996

The actuarial assumptions used in the September 30, 2022 valuation were based on the results of the most recent actuarial experience investigation for the period July 1, 2015 to June 30, 2020, dated October 12, 2021. Demographic information was collected as of June 30, 2022.

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 a summary of target asset allocation and best estimates of the geometric real rate of return for each major asset class for the District Retirement Funds.

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%	6.80%
International developed equity	16.00	7.50
Emerging market equity	10.00	8.40
U.S. core fixed income	7.00	2.40
U.S. long-term government bonds	3.00	2.80
Treasury inflation-protected securities	5.00	2.40
Bank loans	2.00	4.00
Emerging markets debt	4.00	4.20
High yield bonds	2.00	4.40
Foreign bonds	2.00	2.30
Private equity	9.00	10.00
Private credit	3.00	7.10
Real estate	8.00	7.10
Infrastructure	6.00	7.30
Natural resources	2.00	8.50
Cash	1.00	1.70
Total	**100.00%**	

Discount Rate

The discount rate used to measure the total pension liability was 6.25% for both fiscal years 2022 and 2021. 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 DCRB funding policy 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.

NOTE 8. RETIREMENT PROGRAMS

Table N8-6 presents changes in the District net pension liability (asset) for the year ended September 30, 2022.

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, 2021	$ 2,698,618	$ 2,944,884	$ (246,266)	$ 6,181,614	$ 7,991,994	$ (1,810,380)
Changes for the year						
Service cost	88,666	-	88,666	203,080	-	203,080
Interest	165,520	-	165,520	380,658	-	380,658
Difference between expected and actual experience	19,354	-	19,354	55,933	-	55,933
Contributions - employer	-	75,060	(75,060)	-	108,965	(108,965)
Contributions - employees	-	46,914	(46,914)	-	36,997	(36,997)
Net investment income	-	(389,391)	389,391	-	(1,044,735)	1,044,735
Benefit payments, including refunds of employee contributions	(100,588)	(100,588)	-	(182,161)	(182,161)	-
Administrative expenses	-	(4,488)	4,488	-	(12,047)	12,047
Other income	-	871	(871)	-	2,338	(2,338)
Net Changes	172,952	(371,622)	544,574	457,510	(1,090,643)	1,548,153
Balances at September 30, 2022	**$ 2,871,570**	**$ 2,573,262**	**$ 298,308**	**$ 6,639,124**	**$ 6,901,351**	**$ (262,227)**

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 6.25%, as well as the Plans' net pension liability (asset), calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) 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 (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Teachers' retirement fund	$ 808,893	$ 298,308	$ (105,854)
Police officers and fire fighters' retirement fund	867,473	(262,227)	(1,163,603)

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, 2022, the District recognized pension expenses of $93,946 and $157,677 for Teachers' Retirement Fund and Police Officers and Fire Fighters' Retirement Fund, respectively.

NOTE 8. RETIREMENT PROGRAMS

Table N8-8 presents deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2022.

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

	Teachers' Retirement Fund		Police Officers and Fire Fighters' Retirement Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,515	$ 8,881	$ 46,611	$ 177,560
Changes of assumptions	-	44,702	-	64,997
Net difference between projected and actual earnings on plan investments	249,573	-	679,502	-
Total	**$ 264,088**	**$ 53,583**	**$ 726,113**	**$ 242,557**

Table N8-9 presents deferred outflows and deferred inflows of resources that will be recognized in the District Retirement Funds pension expense in future periods.

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

Year ending September 30	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund
2023	$ 30,407	$ 85,191
2024	20,306	57,193
2025	45,754	62,753
2026	114,038	269,097
2027	-	9,322

Payable to the Pension Plans

District contributions for fiscal years 2022, 2021 and 2020 were equal to the recommendation by the independent actuary; therefore, there were no outstanding amounts due to the plans as of September 30, 2022.

B. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the provisions of DC 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, 2022, there were 19,278 active 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, 2022, 2021, and 2020, District contributions to the plan were $84,945, $82,993, and $79,311, respectively.

This plan also covers employees of the D.C. Housing Authority and the Health Benefit Exchange Authority, while the employees of the 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.

NOTE 8. RETIREMENT PROGRAMS

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 $20,500 (not in thousands) of their annual compensation for calendar year 2022. 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 2022. As of September 30, 2022, there were 3,294 employees participating in the Section 403(b) plan. District employees contributed $23,747 to this annuity plan in fiscal year 2022. Contributions vest immediately and are not assets of the District.

Internal Revenue Code Section 457 Plan

The District offers its employees a deferred compensation plan (DC Code § 47-3601) created in accordance with IRC Section 457. Employees, including teachers, were able to defer the lesser of $20,500 (not in thousands) or 100% of includable compensation in calendar year 2022. 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, $41,000 (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 (DC 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 DC 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 DC Code § 1-626.09; provided, that the District contribution on behalf of the employee shall not exceed 3.00% of his or her 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, 2022, there were 21,290 active employees participating in the Section 457 plan. District employees contributed $114,049 to this plan in fiscal year 2022. Contributions are not assets of the District and the District has no further liability to the plan.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

General Information About the Other Postemployment Benefits Plan (OPEB)

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 and benefits are paid in accordance with the substantive plan. Eligible participants in the OPEB Plan include employees who were hired after September 30, 1987; retired under the TRF or POFRF plan; or met the eligibility requirements to receive retirement benefits under the Social Security Act. This plan provides medical care and life insurance benefits to eligible employees.

DC 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

Medical Care – Health Insurance Benefits

Cost-sharing arrangements for annuitants vary depending on whether the retired eligible employee was a General Employee, Teacher, Police Officer or Firefighter.

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.

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 officers 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.

Life Insurance

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

Table N9-1 presents the number of OPEB plan members that were covered by the benefit terms as of September 30, 2022 and 2021.

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

	2022	2021
Inactive OPEB plan members	3,172	2,805
Total	**3,172**	**2,805**

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

Contributions

In accordance with the provisions of DC 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. For fiscal years 2022 and 2021 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 2022 and 2021.

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

Year ended September 30		Amount
2022	$	53,000
2021		53,600

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of September 30, 2021 and rolled forward to the measurement date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, then updated using actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date as of September 30, 2022.

Table N9-3 presents the actuarial assumptions used to determine the total OPEB liability.

Table N9-3
Summary of Actuarial Assumptions Used to Determine Total OPEB Liability as of September 30, 2022

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	14 years beginning with fiscal year end 2022
Asset valuation method	5-year smoothed Actuarial Value
Investment rate of return	6.50%
Discount rate	6.50%
Salary increase rate	3.50% (plus merit scale)
Medical inflation rate	7.00%, grading to 4.00%. Assumption utilizes the Society of Actuaries Getzen Medical Trend Model, and reaches the ultimate medical inflation rate in 2041.
Mortality	The RP-2014 Healthy Employee Mortality Table with the MP-2020 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. General employees use 120% of the PUB2010 General Headcount-Weighted tables for Employees, Healthy Retirees, and Disabled Retirees, projected fully generational with Scale MP-2020.

The actuarial valuation for the fiscal year ended September 30, 2022, was based on the actuarial valuation performed as of September 30, 2021.

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

Table N9-4 presents target allocation and best estimates of real rates of return for each major asset class as of September 30, 2022.

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%	4.80%
International equity	9.00	5.20
Emerging market equity	4.00	5.70
Core fixed income	24.00	1.70
Developed markets fixed income	10.00	1.10
Emerging market debt	3.00	3.80
Commodities	5.00	3.80
Cash	-	0.90
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, 2022.

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, 2021	$ 1,711,707	$ 2,025,062	$ (313,355)
Changes for the year			
Service cost	60,548	-	60,548
Interest	110,365	-	110,365
Difference between expected and actual experience	35,532	-	35,532
Changes in assumptions	(66,664)	-	(66,664)
Insurance carrier premiums net of retiree contributions	(28,008)	-	(28,008)
Contributions - employer and annuitants	-	54,280	(54,280)
Net investment income	-	(398,893)	398,893
Benefit payments, including refunds of employee contributions	-	(29,288)	29,288
Administrative expenses	-	(874)	874
Net changes	111,773	(374,775)	486,548
Balances at September 30, 2022	**$ 1,823,480**	**$ 1,650,287**	**$ 173,193**

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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 one percentage point lower (5.50%) or one 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)	$ 454,438	$ 173,193	$ (54,139)

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 one percentage point at 6.00% decreasing to 3.00% or one percentage point higher at 8.00% decreasing to 5.00% 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 (6.00% decreasing to 3.00%)	Healthcare Cost Trend Rates (7.00% decreasing to 4.00%)	1% Increase (8.00% decreasing to 5.00%)
Net OPEB liability (asset)	$ (84,337)	$ 173,193	$ 500,819

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, 2022, the District recognized OPEB expense of $107,830. **Table N9-8** presents deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2022.

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	$ 62,296	$ 273
Changes of assumptions	19,103	127,638
Net difference between projected and actual earnings on plan investments	287,663	-
Total	**$ 369,062**	**$ 127,911**

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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

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

Year Ending September 30	OPEB Expense Amount
2023	$ 63,977
2024	48,931
2025	50,640
2026	100,797
2027	(5,461)
Thereafter	(17,733)

Payable to the OPEB Plan

District contributions for fiscal years 2022, 2021, and 2020 were equal to recommendations from the independent actuary. Therefore, there were no outstanding amounts due to the OPEB pension plan as of September 30, 2022.

NOTE 10. FUND BALANCE / NET POSITION

A. FUND BALANCE

Table N10-1 presents the District fund balances as of September 30, 2022.

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	$ 47,652	$ 24,431	$ -	$ -	$ -	$ 72,083
Total nonspendable fund balance	47,652	24,431	-	-	-	72,083
Restricted for:						
Emergency cash reserve	165,130	-	-	-	-	165,130
Contingency cash reserve	330,259	-	-	-	-	330,259
Debt service - bond escrow	436,791	-	-	-	-	436,791
Purpose restrictions	99,666	-	-	-	-	99,666
Payment in lieu of taxes	-	-	-	-	61,684	61,684
Tobacco settlement	-	-	-	-	75,914	75,914
Tax increment financing program	32,660	-	-	-	38,176	70,836
Housing production trust	-	-	403,002	-	-	403,002
Capital projects	-	-	-	153,058	-	153,058
Highway projects	-	-	-	-	8,382	8,382
Baseball project	-	-	-	-	24,834	24,834
Universal paid leave	-	-	-	-	543,007	543,007
Total restricted fund balance	1,064,506	-	403,002	153,058	751,997	2,372,563
Committed to:						
Cash flow reserve	932,240	-	-	-	-	932,240
Fiscal stabilization reserve	250,413	-	-	-	-	250,413
Subsequent years expenditures	1,457,318	-	-	-	-	1,457,318
Budget support act	316,941	-	-	-	-	316,941
Dedicated taxes	36,042	-	-	-	-	36,042
Housing production trust fund	219,782	-	-	-	-	219,782
Pay-as-you-go capital projects	219,782	-	-	-	-	219,782
Washington Convention and Sports Authority	20,000	-	-	-	-	20,000
Unemployment Insurance transfer	113,000	-	-	-	-	113,000
Other special purposes	214,629	-	-	-	-	214,629
Total committed fund balance	3,780,147	-	-	-	-	3,780,147
Unassigned fund balance (deficit)	-	(358,081)	-	-	-	(358,081)
Total fund balances (deficits)	**$ 4,892,305**	**$ (333,650)**	**$ 403,002**	**$ 153,058**	**$ 751,997**	**$ 5,866,712**

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, 2022.

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	$ 170	$ -	$ 49,317	$ -
Restricted	-	157,532	7,680	14,893,350
Unrestricted	4,746	-	11,282	-
Total net position	**$ 4,916**	**$ 157,532**	**$ 68,279**	**$ 14,893,350**

NOTE 11. TAX ABATEMENTS

Tax Abatements

DC Code §§ 2-1201.01 et seq., 47-1001 et seq., and 47-4601 et seq. establishes the Special Tax Incentives Program whereby the District provides tax abatements. The program provides real property tax abatements and possessory interest tax abatements which are both administered by the Office of the Deputy Mayor for Planning and Economic Development (DMPED) in coordination with the Office of Tax and Revenue (OTR).

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

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

Many tax expenditure programs exhibit the features of tax abatements. For instance, they reduce taxes, encourage beneficial actions by individuals or entities, and may be based on agreements. Most of the tax expenditure programs provided by the District, however, require individuals or entities to perform certain activities and subsequently apply for the tax reduction, which is either approved or denied by the District. Many of 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 following tax abatement programs meet the criteria established by GASB Statement No. 77 where the District agreed to a reduction of taxes before an entity fulfilled the promise to take specific actions that contribute to the economic development of the District.

Real Property Tax Abatements

The real property tax abatements are designed to encourage construction, improvement, and development of housing units, including affordable housing units, commercial and retail centers in the District. The real property tax abatements also encourage developers to enter into First Source Agreements with the Department of Employment Services; comply with local, small, and disadvantaged business enterprise commitments; and provide additional job opportunities and job training to District residents. The District may: (a) abate the entire real property tax for a certain number of years (for example, 10 or 20 years); (b) abate the real property tax in excess of a certain amount for a certain number of years; or (c) put a cap on the annual real property tax for a certain number of years.

Possessory Interest Tax Abatements

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

For the fiscal years ended September 30, 2022, and 2021, the District abated taxes (real property taxes and possessory interest taxes) totaling $10,283 and $10,690, respectively.

Table N11-1 presents the amount of real property taxes and possessory interest taxes abated in fiscal years 2022 and 2021.

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

	Year Ended September 30, 2022	Year Ended September 30, 2021
Special tax incentives program		
Real property tax	$ 8,284	$ 8,661
Possessory interest tax	1,999	2,029
Total	**$ 10,283**	**$ 10,690**

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 from the District during the fiscal year ended September 30, 2022.

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

	Local	Capital
Operating grants	$ 425,604	$ -
School transit subsidy	21,465	-
Capital grants	-	327,664
Total	**$ 447,069**	**$ 327,664**

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

Washington Metropolitan Area Transit Authority
Vice President and Comptroller
Office of Accounting
PO Box 23768
Washington, DC 20026

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 most recent audited financial statements of WMATA as of and for the year ended June 30, 2022.

Table N12-2
Summary of Financial Statements for WMATA as of and for the year ended June 30, 2022 ($000s)

FINANCIAL POSITION	
Total assets	$ 15,698,023
Total deferred outflows of resources	794,293
Total liabilities	(6,345,795)
Total deferred inflows of resources	(1,572,401)
Net position	**$ 8,574,120**
OPERATING RESULTS	
Operating revenues	$ 264,714
Operating expenses	(3,137,561)
Nonoperating revenues, net	1,642,153
Revenue from capital contributions	1,307,935
Change in net position	**$ 77,241**
CHANGE IN NET POSITION	
Net position, beginning of year, as restated	$ 8,496,879
Change in net position	77,241
Net position, end of year	**$ 8,574,120**

B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2022, 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, $122,281; District of Columbia Green Finance Authority, $20,794; and the University of the District of Columbia $112,751. The District did not provide subsidies to the District of Columbia Health Benefit Exchange Authority and the District of Columbia 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, 2022 totaled $1,614,737, which is comprised of $539,512 in on-behalf payments to the DC Federal Pension Fund, $61,636 in Coronavirus relief funding, $941,221 in American Rescue Plan Act (ARPA) and $72,368 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 for any national threat or terrorist act against the nation. In fiscal year 2002, the District received $155,900 in federal funding for purposes of emergency preparedness. This funding was provided by the federal government to assist the District in responding 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 this purpose. No additional amounts were expended from this funding in fiscal year 2022.

C. CORONAVIRUS RELIEF FUNDS - EXPIRATION OF CERTAIN UNEMPLOYMENT BENEFITS

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included an expansion of unemployment insurance for District workers. In March 2021, Congress passed the American Rescue Plan Act (ARPA) of 2021 which extended new unemployment programs provided under the CARES Act. In accordance with Federal and District laws, several federal unemployment benefits offered through ARPA expired on September 4, 2021. The District continues to process the backlog of claims filed prior to the expiration of extended benefits.

The programs offered through the CARES Act include:

Pandemic Unemployment Assistance

The Pandemic Unemployment Assistance (PUA) program was made available to individuals who typically were ineligible for regular unemployment insurance (i.e., self-employed workers, independent contractors, gig workers, those with insufficient work history) who could not work due to COVID-19 related reasons. PUA benefits were available for a maximum of 79 weeks and included Federal Pandemic Unemployment Compensation. PUA was effective for the period January 27, 2020 through September 4, 2021. The total benefits paid under this program for fiscal year 2022 was $3,336.

Federal Pandemic Unemployment Compensation

The Federal Pandemic Unemployment Compensation (FPUC) program was made available to individuals who were collecting certain unemployment insurance benefits, including regular unemployment compensation. FPUC provided $600 (not in thousands) per week in addition to current regular unemployment benefits eligible claimants were receiving. This amount was reduced to $300 (not in thousands) under ARPA. The total benefits paid under the FPUC program for fiscal year 2022 was $9,277.

Pandemic Emergency Unemployment Compensation

The Pandemic Emergency Unemployment Compensation (PEUC) program was made available to individuals who had exhausted benefits under regular unemployment compensation or other programs which allowed them to receive up to 53 weeks of benefits, plus FPUC benefits. PEUC was effective for the period March 29, 2020 through September 4, 2021. The total benefits paid under this program for fiscal year 2022 was $5,932.

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 2022, SNAP expenditures totaled $506,630.

Federal Lost Wages Assistance

The Federal Emergency Management Agency approved funding in the form of a grant to provide $300 (not in thousands) 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. Federal Lost Wages Assistance program was effective for the period August 1, 2020 through December 27, 2020. The total benefits paid under this program for fiscal year 2022 was $121.

NOTE 14. LEASES

A. LEASE RECEIVABLES

The District has entered into contractual agreements as a lessor for various land and facility space throughout the District of Columbia. The District's leases for facility space currently extend to no longer than 97 years. Some contractual agreements include options to extend and those deemed reasonably certain to be exercised have been factored into the determination of lease receivable. Variable payments received are not included in the calculation of leases receivable reported at the end of the fiscal year.

The District recognized $5,600 and $5,445 in lease revenue and interest revenue, respectively, during the fiscal year ended September 30, 2022.

As of September 30, 2022, lease receivable totaled $426,360 and the deferred inflows of resources balance reported at year end totaled $426,360.

B. LEASE LIABILITIES

The District has entered into contractual agreements as a lessee for buildings and facility space in addition to equipment such as copiers, printers, and heavy machinery. Certain agreements include options to extend and those deemed reasonably certain to be exercised have been factored into the determination of lease liability. The District lease agreements currently extend to no longer than 27 years and do not contain any termination penalties, residual value guarantees, or other future payments at the conclusion of the agreements. Facility agreements contain non-lease payments such as real estate taxes and operational expenses. Leases pertaining to office equipment and vehicles contain non-lease payments such as maintenance and additional usage service fees. Non-lease payments are not included in the calculation of the lease liability reported at the end of the fiscal year.

As of September 30, 2022, the lease liability totaled $1,107,262. The value of the right-to-use assets for governmental and business-type activities was $1,183,480 with an accumulated amortization of $114,217 as of September 30, 2022. Refer to Note 5 starting on page 117 for additional information on the right-to-use assets.

Table N14-1 presents the expected future minimum principal and interest lease payments of the District for fiscal year ending September 30, 2022.

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

Year Ending September 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	$ 98,983	$ 20,305	$ 119,288	$ 1,329	$ 10	$ 1,339
2024	94,956	18,836	113,792	1,336	3	1,339
2025	90,433	17,391	107,824	-	-	-
2026	84,970	15,938	100,908	-	-	-
2027	76,664	14,510	91,174	-	-	-
2028-2032	311,069	52,577	363,646	-	-	-
2033-2037	240,438	23,964	264,402	-	-	-
2038-2042	105,690	3,698	109,388	-	-	-
2043-2047	911	121	1,032	-	-	-
2048-2049	483	14	497	-	-	-
Total	**$ 1,104,597**	**$ 167,354**	**$ 1,271,951**	**$ 2,665**	**$ 13**	**$ 2,678**

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, 2022. As a result, information regarding potential disallowances arising from noncompliance with applicable grant agreements and other federal requirements is not available for fiscal year 2022. However, based on prior experience and resolutions reached with grantor agencies, the District determined that as of September 30, 2022, probable cumulative expenditures that may be disallowed by grantor agencies totaled $2,945. Accordingly, an accrual for such expenditures has been recorded in the government-wide financial statements.

C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS

All 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 Global Ratings 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, 2022, the aggregate fair value of all hedging derivative instruments (floating to fixed swaps) with collateral posting provisions was $4,202 as indicated in **Table N2-13** on page 109. The GO credit ratings of the District by Standard & Poor's, Moody's and Fitch are AA+, Aaa, AA+, respectively. No collateral had been posted as of September 30, 2022.

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, 2022.

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 $72,250.

In fiscal year 2022, there was a $3,005 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)

	2022	2021
Liability at October 1	**$ 89,588**	**$ 95,275**
Claims incurred		
Lawsuits	11,600	10,673
Property tax appeals	37,252	37,303
Claims payments/ adjustments		
Lawsuits	(1,165)	(1,620)
Property tax appeals	(40,257)	(52,043)
Liability at September 30	**$ 97,018**	**$ 89,588**

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)

	2022	2021
Liability at October 1	**$ 68,800**	**$ 69,444**
Claims/adjustments	12,772	14,123
Benefit payments	(15,330)	(14,767)
Liability at September 30	**$ 66,242**	**$ 68,800**

NOTE 16. SUBSEQUENT EVENTS

INCOME TAX SECURED BOND ANTICIPATION NOTES

In November 2022, the District increased the maximum combined principal amount of its revolving credit facility with U.S. Bank National Association supporting the Income Tax Secured Bond Anticipation Notes, Series 2021A and Series 2021B. The facility was increased by $100,000 and allows the District to draw a combined outstanding principal that does not exceed $300,000. As of September 30, 2022, $13,665 of Series 2021B Notes were outstanding; there were no amounts outstanding under the Series 2021A Notes. The facility expires in March 2024.