

2016

CITIZEN'S FINANCIAL REPORT



MURIEL BOWSER
MAYOR

JEFFREY S. DEWITT
CHIEF FINANCIAL OFFICER

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

YEAR ENDED SEPTEMBER 30, 2016

February 8, 2017

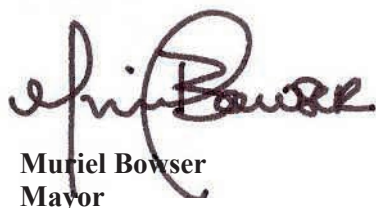
Dear Citizens of the District of Columbia:

We are pleased to present the Citizen's Financial Report on the financial condition of the Government of the District of Columbia (District) for the year ended September 30, 2016. The purpose of this report, which is referred to as the Popular Annual Financial Report (PAFR), is to summarize the financial information presented in the District's Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in accordance with U.S. generally accepted accounting principles (GAAP) and is independently audited. This PAFR is intended to simplify but not replace the CAFR.


This is the District's fourteenth publication of the Citizen's Financial Report. In the previous thirteen fiscal years, the Government Finance Officers Association (GFOA) honored the District with the prestigious "Award for Outstanding Achievement in Popular Annual Financial Reporting." It is expected that this report will also conform to the Popular Annual Financial Reporting requirements of the GFOA.

Our goal is to present information in a meaningful and useful way. For that reason, we welcome any feedback regarding the contents of this report. If you desire more information concerning the District of Columbia Government and its various departments and agencies, please visit our website at www.dc.gov.

Respectfully submitted,



Muriel Bowser
Mayor



Jeffrey S. DeWitt
Chief Financial Officer



Bill Slack
Deputy CFO/Controller
Financial Operations & Systems





Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

District of Columbia

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Snow".

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the District of Columbia for its Popular Annual Financial Report, for the fiscal year ended September 30, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a governmental unit must publish a Popular Annual Financial Report, the contents of which conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The District of Columbia has received this award for the last thirteen consecutive fiscal years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and it will be submitted to GFOA for consideration.

District of Columbia Citizen's Financial Report



Fiscal Year Ended September 30, 2016

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Cherry Blossom Trees along the Tidal Basin

This Popular Annual Financial Report (PAFR) is a report for the District's citizens. It provides information about the District of Columbia government's financial condition without overwhelming detail and technical accounting terminology. The information provided is derived from the District's Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with U.S. generally accepted accounting principles (GAAP).

A copy of the District's Fiscal Year (FY) 2016 CAFR and PAFR may be obtained from:

Office of the Chief Financial Officer
 Office of Financial Operations & Systems
 1100 4th Street, S.W., 8th Floor
 Washington, DC 20024
 (202) 442-8200

The FY 2016 CAFR and PAFR may also be viewed on the District of Columbia's Chief Financial Officer's website at:
www.cfo.dc.gov.

Introduction

Washington, D.C., commonly referred to as Washington, “the District” or simply D.C., is the capital of the United States (U.S.). It is located in the Mid-Atlantic East Coast region of the U.S. with a total area of 68.3 square miles, of which 61.4 square miles are land and 6.9 square miles are water. It is bordered by Montgomery County, Maryland, to the northwest; Prince George’s County, Maryland, to the east; and Arlington and Alexandria, Virginia, to the south and west.

The centers of all three branches of the federal government of the United States are in the District: the legislative branch (Congress), the executive branch (President), and the judiciary branch (Supreme Court). In 1973, Congress passed the District of Columbia Home Rule Act, which provides for a locally elected Mayor and a 13-member council. However, Congress maintains authority over the city and may overturn local laws. District residents also elect a non-voting, at-large Congressional Delegate to the U.S. House of Representatives but the District has no representation in the U.S. Senate.

The fiscal year (FY) of the District begins on October 1 and ends on September 30. This report presents financial information for the District’s fiscal year ended September 30, 2016. It provides a comprehensive view of the District’s financial activities (both governmental and business-type activities). Such activities include those reported in the general fund, special revenue funds, capital project funds and proprietary funds (lottery and unemployment compensation). This view, which is more comprehensive than just focusing on the general fund, gives the full financial picture of the District in a way that is similar to how investors and bond rating agencies view the District. For more detailed information, such as general fund or other fund financial statements or budgetary reports, please refer to the District’s much broader Comprehensive Annual Financial Report (CAFR) which may be found at: www.cfo.dc.gov.

The financial reporting entity of the District includes all of the government’s agencies, its five discretely presented component units, and one blended component unit. The District also reports two proprietary funds which issue financial statements separately from the District. For information regarding these entities, please contact the offices or access the websites shown below:

Discretely Presented Component Units

Health Benefit Exchange Authority, (202) 715-7576, <http://hbx.dc.gov>

Housing Finance Agency, (202) 777-1600, <http://www.dchfa.org>

Not-For-Profit Hospital Corporation (United Medical Center), (202) 574-6000,
<http://www.united-medicalcenter.com>

University of the District of Columbia, (202) 274-5000, <http://www.udc.edu>

Washington Convention and Sports Authority (Events DC), (202) 249-3000, <http://eventsdc.com>

Blended Component Unit

District of Columbia Tobacco Settlement Financing Corporation, (202) 727-6055

Proprietary Funds

District of Columbia Office of Lottery and Charitable Games, (202) 645-800, <http://dclottery.com>

Unemployment Trust Fund, (202) 724-7000

Elected Officials as of January 2, 2017

Muriel Bowser
Mayor



U.S. House of Representatives

Eleanor Holmes Norton
Congresswoman/
D.C. Delegate



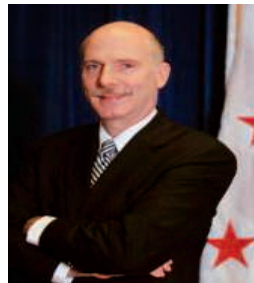
D.C. Council

(Composed of a Chairman, 4 At-Large members, and a member from each of the District's 8 Wards)

Anita Bonds
At-Large



Phil Mendelson
Chairman



David Grosso
At-Large



Elissa Silverman
At-Large



Robert C. White, Jr.
At-Large



Brianne Nadeau
Ward 1



Kenyan McDuffie
Ward 5



Jack Evans
Ward 2



Charles Allen
Ward 6



Mary M. Cheh
Ward 3



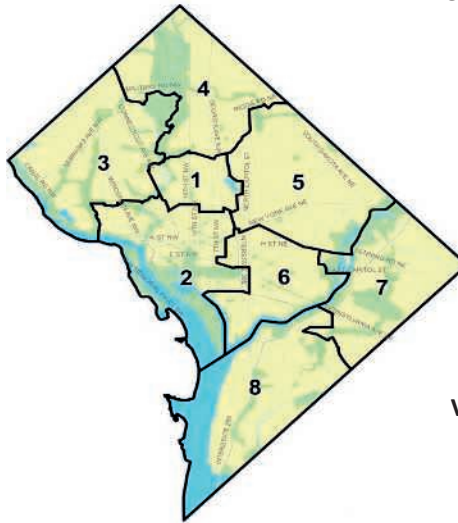
Vincent C. Gray
Ward 7



Brandon T. Todd
Ward 4

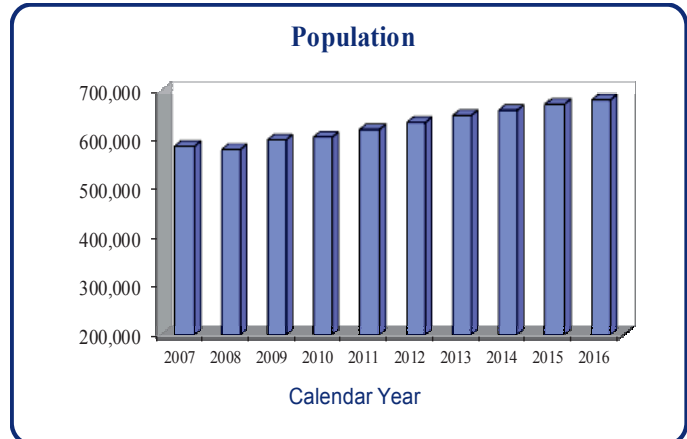


Trayon White, Sr.
Ward 8



Population Trends

Population estimates are published each year by the U.S. Census Bureau. In July of each year, new estimates are released and estimates for earlier years are revised. On July 1, 2016, the U.S. Census Bureau estimated that there were 681,170 residents in the District. This represents an increase of 10,793, or 1.6% from the revised July 1, 2015 estimate of 670,377.



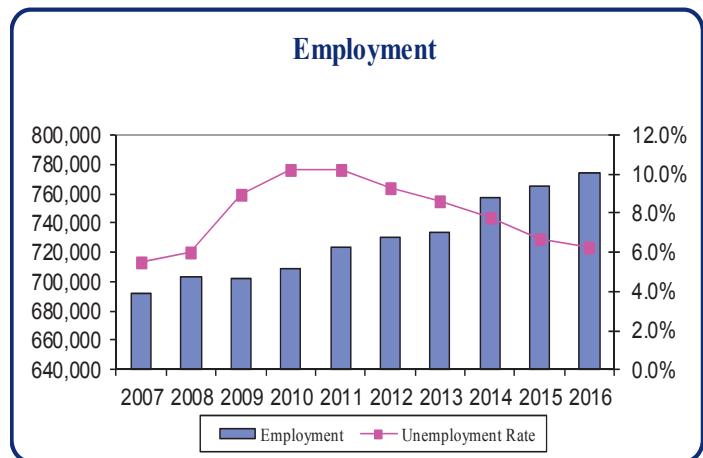
Source: U.S. Census Bureau

Employment Trends

Total employment within the District increased to 780,400 as of September 2016 from the revised 766,600 as of September 2015.

The September 2016 unemployment rate was 6.1% (seasonally adjusted), a decrease from the revised 7.2% (revised seasonally adjusted) a year ago.

As the nation's capital, Washington, D.C. is headquarters for most federal government departments and agencies. The September 2016 federal workforce in the Washington metropolitan area totaled 369,800, with approximately 201,800 federal employees located in Washington, D.C. and 168,000 additional federal employees who worked elsewhere in the Washington metropolitan area.



Source: D.C. Department of Employment Services

Minimum Wage

| | | |
|--|-------------------------------|-------------------------|
| District of Columbia Minimum Wage | Effective July 1, 2016 | \$11.50 per hour |
|--|-------------------------------|-------------------------|

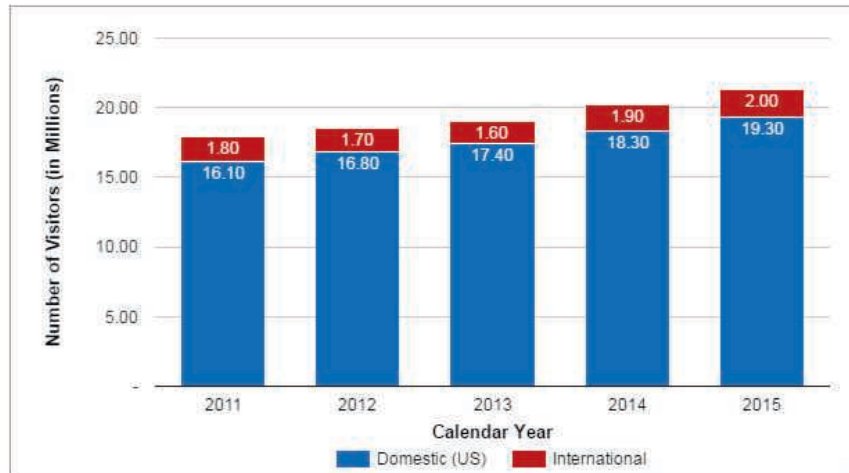
Fight For \$15 – In April of 2016, Mayor Muriel Bowser introduced B21-712, the *Fair Shot Minimum Wage Amendment Act of 2016*. This legislation will raise the District's minimum wage to \$15.00 an hour by 2020. On June 21, 2016 the D.C. Council voted unanimously to pass B21-712, the *Fair Shot Minimum Wage Amendment Act of 2016* and on June 27, 2016, it was signed into law by the Mayor.

Tourism and Hospitality

Washington, D.C. is a world-class city that has evolved into a premiere destination for cultural, culinary, and entertainment experiences. Forbes Magazine recently voted Washington, D.C., "America's Coolest City to Live" due to its rich cultural offerings and the active arts and cultural community. Millions of U.S. citizens and international tourists visit the District's more than 400 museums, war memorials, foreign embassies, and other historical landmarks each year. The hospitality industry has experienced tremendous growth in recent years as a result of its increasing appeal to business visitors and tourists.

- In calendar year 2015, approximately 19.3 million domestic visitors and 2.0 million international visitors traveled to the District.
- During calendar year 2015, the District was the eighth most visited destination in the U.S. for international travelers.
- Visitors spent approximately \$7.1 billion in 2015. Visitor spending increased by \$283 million, or 4.2%, over the prior year.
- There are 29,456 hotel rooms and 2,035 restaurants.
- Travel and tourism supported 74,445 jobs in the District, generating approximately \$3.9 billion in wages.

Total Visitation to the District (2011 – 2015)*



*Tourism data for calendar year 2016 is not yet available.



National Museum of African American History and Culture

The Smithsonian National Museum of African American History and Culture opened on September 24, 2016. The new museum is situated prominently between the National Museum of American History and 15th Street, next to the Washington Monument. The 400,000-square-foot building has five levels above ground and four more below which consist of exhibition space, a theater and café, staff offices and an education center. During the Dedication Ceremony, held on opening day, speeches were made by President Barack Obama, First Lady Michelle Obama, former President George W. Bush, Mrs. Laura Bush and the museum's founding director, Lonnie Bunch.

D.C. Major Tax Rates

| Sales and Use Tax | |
|--|---------------------------------|
| General rate | 5.75% |
| Alcoholic beverages | 10% |
| Restaurant meals | 10% |
| Cigarette | \$2.91 (rate per 20 cigarettes) |
| Medical marijuana | 6% |
| Hotel (transient accommodations) | 14.5% |
| Parking motor vehicles in commercial lot | 18% |
| Motor Vehicle Fuel | |
| | 23.5 cents per gallon |
| Real Property Tax (per \$100 assessed value) | |
| Residential | \$0.85 |
| Commercial | \$1.85 (rate for value >\$3M) |
| Vacant | \$5.00 |
| Blighted | \$10.00 |
| Individual Income | |
| | 4% - 8.95% |



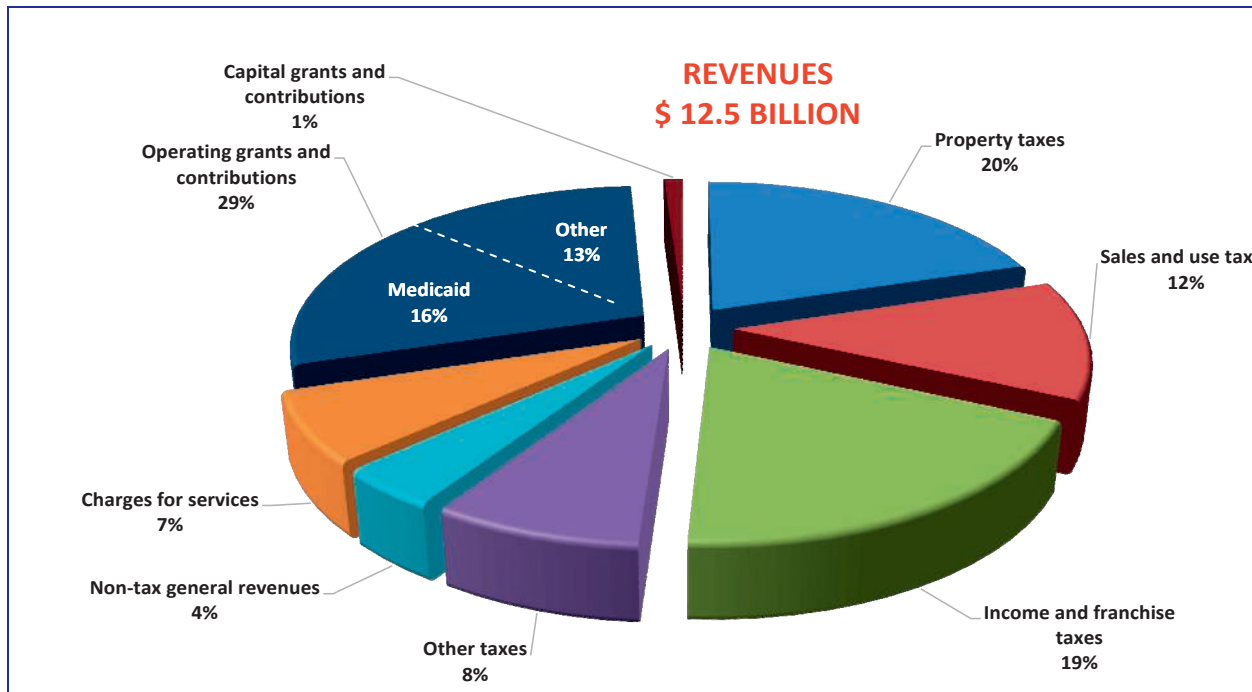
The Washington Nationals Baseball Team
2016 Opening Day Ceremony

Source: D.C. Office of Tax and Revenue

FY 2016 Financial Summary

- ❖ The District again earned an unmodified or “clean” audit opinion on its financial statements and achieved its 20th consecutive balanced budget.
- ❖ The District ended the year with a net position of \$4.8 billion, a \$399 million increase over last year.
- ❖ The District’s general obligation bond ratings remained strong: *Fitch* at AA; *Moody’s Investors* at Aa1; and *Standard & Poor’s* at AA.
- ❖ The District has set aside \$387 million in emergency and contingency cash reserves and \$778 million in fiscal stabilization and cash flow reserves for a total of \$1.2 billion. This amount is considered sufficient to fund 56 days of government operations, only 4 days short of the District’s goal and the GFOA’s recommendation of 60 days of operating reserves.
- ❖ Sales and use taxes earned were \$1.5 billion compared to \$1.4 billion in FY 2015.
- ❖ Property taxes earned were \$2.5 billion compared to \$2.3 billion in FY 2015.
- ❖ Single family home sales for the three-month period ended September 2016 were up 8.6% from a year ago, and there was a 2.2% increase in the average selling price.
- ❖ For the three-month period ended September 2016, condominium sales were down 0.5%, and the average price was 3.5% higher.
- ❖ District resident employment in the three months ended September 2016 was 3,940, (1.1%) more than 2015.

Where The Money Comes From



The information presented in this section includes revenues and expenses of the District as a whole. It includes amounts accounted for in all funds - *governmental* (general fund, special revenue funds, capital projects funds) and *proprietary funds* (lottery and unemployment compensation). These revenues do not include the discretely presented component units shown on page 2, which totaled \$627.4 million in FY 2016.

\$ in Billions

| Tax Revenue Earned in FY 2016 | |
|-------------------------------|---------------|
| Property Taxes | \$ 2.5 |
| Sales & Use Taxes | \$ 1.5 |
| Income & Franchise Taxes | \$ 2.4 |
| Other Taxes | \$ 1.0 |
| Total Tax Revenues | \$ 7.4 |

| Non-Tax Revenue Earned in FY 2016 | |
|-----------------------------------|---------------|
| Operating Grants & Contributions | \$ 3.6 |
| Medicaid = \$ 2.0 | |
| Other = \$ 1.6 | |
| Capital Grants & Contributions | \$ 0.2 |
| Charges for Services | \$ 0.8 |
| Non-Tax General Revenues | \$ 0.5 |
| Total Non-Tax Revenues | \$ 5.1 |

| | |
|-------------------------------|----------------|
| TOTAL FY 2016 REVENUES | \$ 12.5 |
|-------------------------------|----------------|

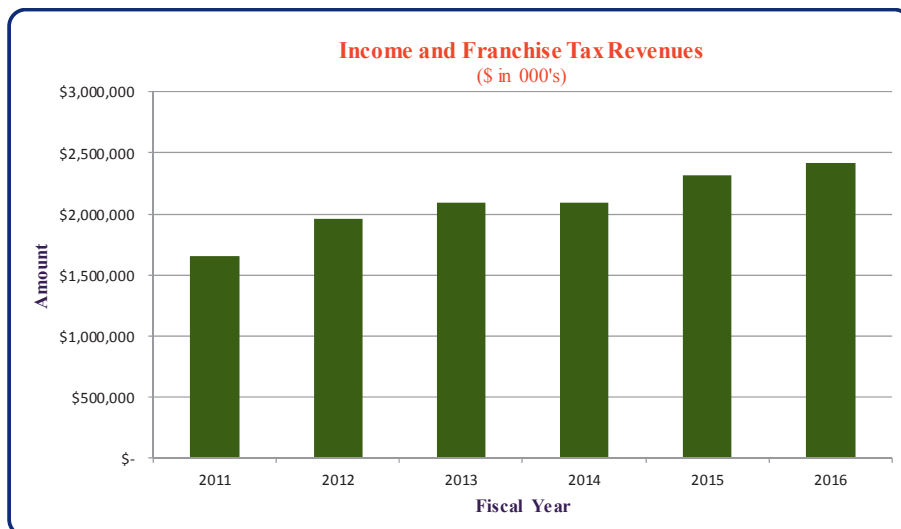
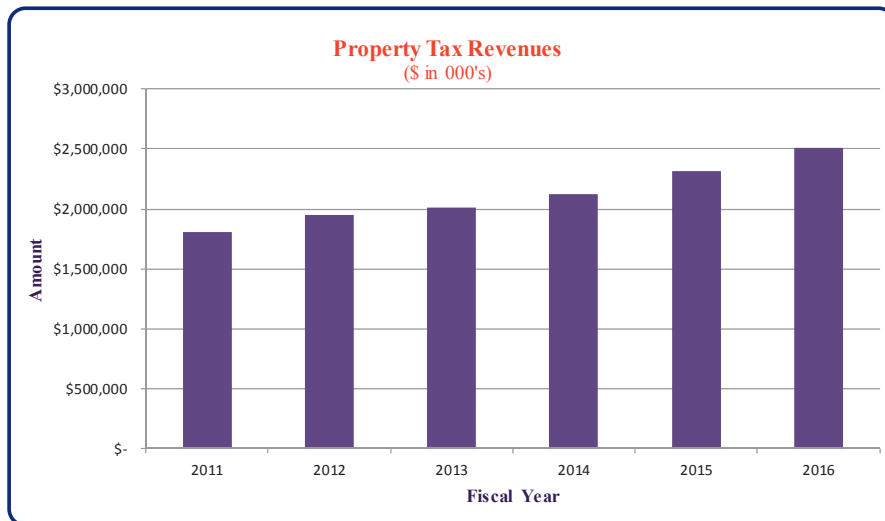
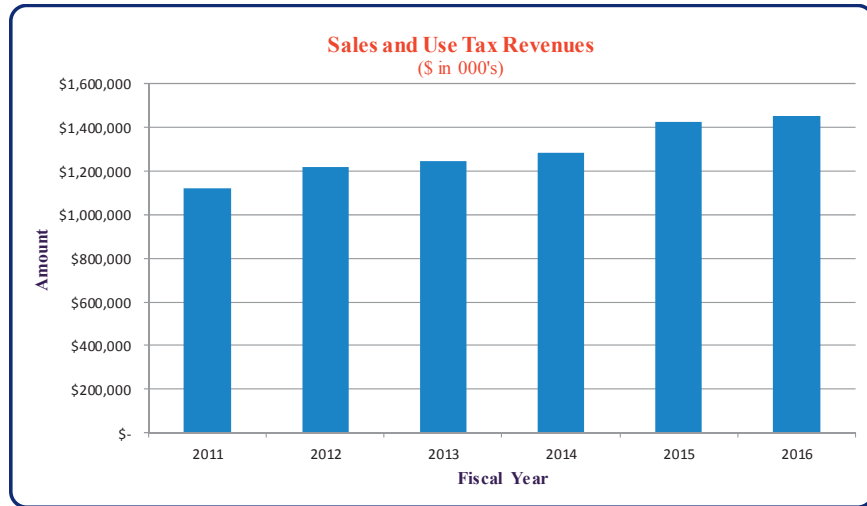
The major sources of the District's revenues are taxes and operating grants and contributions.

Taxes earned in FY 2016 represented 59% of total revenues.

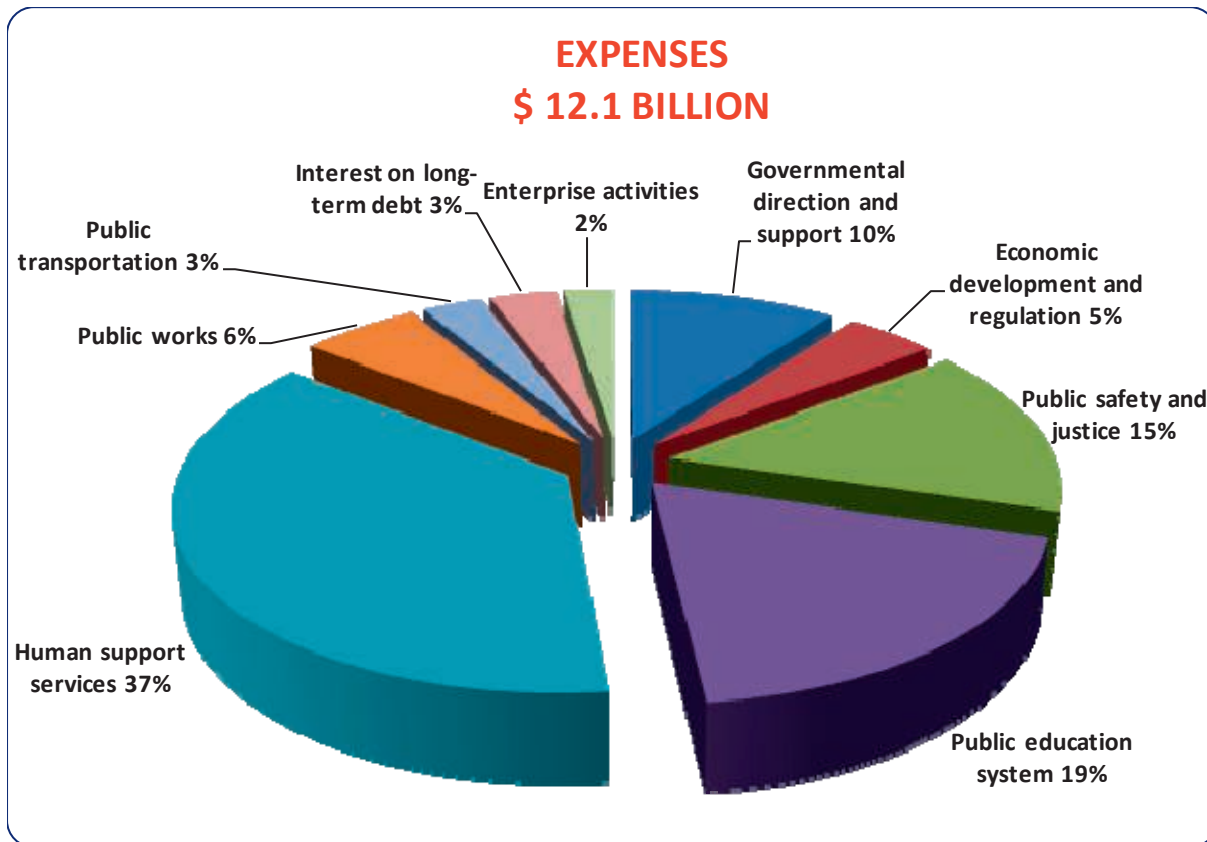
Revenues received from the federal government and private sources include:

- *Operating grants and contributions:* Amounts received from grantors/donors which may be used to support the District's day-to-day operations, programs and activities. This includes federal funding received for Medicaid which totaled \$2.0 billion in FY 2016.
- *Capital grants and contributions:* Amounts received from grantors/donors to support the acquisition of property and equipment, and the construction of buildings or other infrastructure.
- *Charges for services:* Fees assessed in exchange for a service that is rendered (e.g., driver license fees, motor vehicle tag renewal fees, parking fees, etc.)

- *Non-tax general revenues*: Other sources of revenue which are generated by the government's operations (e.g., investment earnings, etc.)



Where The Money Goes



The District provides a broad range of services to its residents, including those normally provided by states and counties. These services include police, fire and emergency medical services, human support and welfare services, public education, and recreational activities. The District is also responsible for the construction and maintenance of highways, streets, buildings, parks, and other amenities. In FY 2016, the District's total expenses were \$12.1 billion.

Human Support Services represents the highest percentage at 37%. These services include Medicaid, Medicare, Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and other programs promoting health and wellness which benefit the District residents.

| Expenses | \$ in Billions |
|-----------------------------------|----------------|
| Governmental direction & support | \$ 1.2 |
| Economic development & regulation | 0.5 |
| Public safety & justice | 1.8 |
| Public education system | 2.3 |
| Human support services | 4.5 |
| Public works | 0.7 |
| Public transportation | 0.4 |
| Interest on long-term debt | 0.4 |
| Enterprise activities | 0.3 |
| Total Expenses | \$ 12.1 |

Debt Management

Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. On December 2, 2015, the District issued \$250 million in Tax Revenue Anticipation Notes (TRANS), at an interest rate of 1.5%, which was repaid in September 2016.

Long-Term Debt

Long-term debt, such as bonds, and other obligations are reported as liabilities in the government-wide financial statements.

The District's general obligation bonds are authorized and issued primarily to provide funds for certain capital projects and improvements.

All general obligation bonds are backed by the full faith and credit of the District.

The District also issues income tax secured revenue bonds. The payment of principal and interest on these bonds comes from pledged tax revenues. Income tax secured revenue bonds are not backed by the full faith and credit of the District.

On a less frequent basis, the District issues other types of long-term debt, including tax increment financing bonds, housing production trust bonds, and qualified zone academy bonds.

As of September 30, 2016, the District had a total of \$9.6 billion in outstanding bonds. This represents an increase of \$83.3 million over the prior year.

Outstanding Bonds as of September 30, 2016 and 2015

(\$ in 000's)

| Type of Bonds | 2016 | 2015 | Dollar Variance | Percentage Variance |
|----------------------------------|---------------------|---------------------|------------------|---------------------|
| General Obligation Bonds | \$ 3,829,305 | \$ 3,530,770 | \$ 298,535 | 8.5% |
| Income Tax Secured Revenue Bonds | 4,240,155 | 4,327,855 | (87,700) | -2.0% |
| Other Bonds: | | | | |
| Qualified Zone Academy Bonds | 3,845 | 4,791 | (946) | -19.7% |
| Tobacco Bonds | 600,974 | 616,404 | (15,430) | -2.5% |
| TIF Bonds | 96,822 | 100,895 | (4,073) | -4.0% |
| Ballpark Bonds | 371,305 | 467,360 | (96,055) | -20.6% |
| GARVEE Revenue Bonds | 97,420 | 104,395 | (6,975) | -6.7% |
| HPTF Bonds | 112,965 | 115,565 | (2,600) | -2.2% |
| PILOT Revenue Bonds | 214,213 | 215,647 | (1,434) | -0.7% |
| Total | \$ 9,567,004 | \$ 9,483,682 | \$ 83,322 | 0.9% |

District Bond Ratings

Rating agencies assess the credit quality of municipal issuers and assign a credit rating based on their analyses. The three primary rating agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. Each time the District issues new debt, the bond rating agencies assess the District's financial condition and underlying credit worthiness and change their rating as warranted. See the glossary on page 20 for the rating agencies' complete rating scales.

Below are the District's *General Obligation Bond Ratings* and the *Income Tax Secured Revenue Bond Ratings* for the past five fiscal years. All ratings remained steady and strong in FY 2016.

| | General Obligation Bonds | | | | |
|----------------------------------|---------------------------------|-------------|-------------|-------------|-------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Fitch Ratings | AA- | AA- | AA | AA | AA |
| Moody's Investors Service | Aa2 | Aa2 | Aa2 | Aa1 | Aa1 |
| Standard & Poor's Rating Service | A+ | AA- | AA | AA | AA |

| | Income Tax Secured Revenue Bonds | | | | |
|----------------------------------|---|-------------|-------------|-------------|-------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Fitch Ratings | AA+ | AA+ | AA+ | AA+ | AA+ |
| Moody's Investors Service | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 |
| Standard & Poor's Rating Service | AAA | AAA | AAA | AAA | AAA |

Financial Statements

The financial statements focus on all of the District's economic resources.

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference between the two reported as *net position*.

The *Statement of Activities* summarizes both the gross and net cost of the governmental activities, business-type activities, and component units activities. Governmental activities show the District's basic functional services, while business-type activities reflect enterprise operations where fees for services are expected to cover all or most of the costs of operations.

The Statement of Net Position and Statement of Activities tables show comparative data for governmental activities and business-type activities, and the totals for these two types of activities.

- Total assets increased by \$449.5 million mainly because the District invested more resources in capital assets such as new and rehabilitated infrastructure (roads and bridges).
- The decrease of \$301.1 million in total liabilities resulted primarily from decreases in compensation payable and other accrued liabilities. The \$69.5 reduction in compensation payable was due, in large part, to the District's payment of a settlement related to unpaid overtime owed to certain District employees.

Accrued liabilities decreased by \$176.7 million mainly due to declines in liabilities associated with Medicaid, and a drop in the amount owed to taxpayers for the overpayment of real estate taxes.

- The combined total net position for the governmental activities and business-type activities increased by 9.0% over the previous year.
- The increase of \$109.8 million in operating grants and contributions was due primarily to an increase in federal funding received in support of certain human support services programs. The rising numbers in Medicaid enrollment by District residents and the federal government's matching of District expenditures for Medicaid-eligible healthcare services contributed to the added revenues. In addition, the availability of carryover funding for the Temporary Assistance for Needy Families (TANF) program also contributed to this increase.
- General revenues increased by \$395.7 million mainly as a result of increases in property taxes, income and franchise taxes, and non-tax revenues. Property taxes increased by \$188.9 million as a result of higher assessed values of commercial properties and increased collection of related taxes. Residential home prices and sales also increased in FY 2016 which further contributed to increased property taxes. Income and franchise taxes increased by \$100.5 million as more individuals joined the workforce and a strong economy gave a boost to corporate profits. Non-tax revenues increased due to increases in the collection of traffic fines and other fees, fines, assessments or reimbursements that are dedicated to specific District agencies.
- The increase of \$230.5 million in expenses was mainly due to increased spending in governmental direction and support, public safety and justice, and economic development and regulation, which increased by \$84.2 million, \$84.5 million, and \$73.8 million, respectively. Spending in governmental direction and support increased due to: the rising costs of maintaining and managing the District's properties; the increased level of effort and resources needed to address the snowstorm of 2016; and other initiatives designed to enhance government operations and management. Public safety and justice expenditures increased due to funding being made available for: body-worn cameras for the Metropolitan Police Department; crime scene sciences or the Department of Forensic Sciences; and synthetic drug testing for the Office of the Chief Medical Examiner. The increase in economic development and regulation expenditures resulted mostly from initiatives and on-going activities designed to preserve and increase the supply of quality affordable housing for low-income persons, particularly those with serious and persistent mental or emotional illness, and senior citizens.
- Each year, the D.C. Lottery transfers substantially all of its net income to the District. In FY 2016, it transferred \$53.3 million of its income, which was a \$2.3 million decrease from the prior year's transfer of \$55.6 million.

Statement of Net Position as of September 30, 2016
(\$ in 000's)

| | Governmental activities | | Business-type activities | | Totals | |
|----------------------------------|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$4,891,340 | \$5,007,806 | \$414,112 | \$363,154 | \$5,305,452 | \$5,370,960 |
| Capital assets | 12,431,889 | 11,917,024 | 330 | 169 | 12,432,219 | 11,917,193 |
| Total assets | 17,323,229 | 16,924,830 | 414,442 | 363,323 | 17,737,671 | 17,288,153 |
| Deferred outflows of resources | 459,144 | 593,369 | - | - | 459,144 | 593,369 |
| Long-term liabilities | 11,143,435 | 11,130,901 | 2,779 | 3,861 | 11,146,214 | 11,134,762 |
| Other liabilities | 1,931,955 | 2,244,928 | 42,912 | 42,539 | 1,974,867 | 2,287,467 |
| Total liabilities | 13,075,390 | 13,375,829 | 45,691 | 46,400 | 13,121,081 | 13,422,229 |
| Deferred inflows of resources | 260,316 | 42,922 | - | - | 260,316 | 42,922 |
| Net position: | | | | | | |
| Net investment in capital assets | 2,835,463 | 2,639,069 | 330 | 169 | 2,835,793 | 2,639,238 |
| Restricted | 1,440,889 | 1,594,809 | 364,237 | 312,483 | 1,805,126 | 1,907,292 |
| Unrestricted | 170,315 | (134,430) | 4,184 | 4,271 | 174,499 | (130,159) |
| Total net position | \$4,446,667 | \$4,099,448 | \$368,751 | \$316,923 | \$4,815,418 | \$4,416,371 |

Statement of Activities for the Year Ended September 30, 2016
(\$ in 000's)

| | Governmental activities | | Business-type activities | | Totals | |
|---|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$598,747 | \$538,961 | \$228,183 | \$212,495 | \$826,930 | \$751,456 |
| Operating grants and contributions | 3,577,091 | 3,464,746 | 12,028 | 14,561 | 3,589,119 | 3,479,307 |
| Capital grants and contributions | 167,948 | 224,891 | - | - | 167,948 | 224,891 |
| General revenues: | | | | | | |
| Property taxes | 2,504,617 | 2,315,693 | - | - | 2,504,617 | 2,315,693 |
| Sales and use taxes | 1,451,441 | 1,425,525 | - | - | 1,451,441 | 1,425,525 |
| Income and franchise taxes | 2,417,206 | 2,316,727 | - | - | 2,417,206 | 2,316,727 |
| Other taxes | 863,466 | 890,159 | 145,887 | 148,889 | 1,009,353 | 1,039,048 |
| Non-tax revenues | 521,931 | 412,769 | 8,532 | 7,666 | 530,463 | 420,435 |
| Total revenues | 12,102,447 | 11,589,471 | 394,630 | 383,611 | 12,497,077 | 11,973,082 |
| Expenses | 11,808,515 | 11,591,538 | 289,515 | 276,029 | 12,098,030 | 11,867,567 |
| Increase (decrease) in net position before transfers | 293,932 | (2,067) | 105,115 | 107,582 | 399,047 | 105,515 |
| Transfers in (out) | 53,287 | 55,586 | (53,287) | (55,586) | - | - |
| Change in net position | 347,219 | 53,519 | 51,828 | 51,996 | 399,047 | 105,515 |
| Net position - Oct 1 | 4,099,448 | 4,045,929 | 316,923 | 264,927 | 4,416,371 | 4,310,856 |
| Net position - Sept 30 | \$4,446,667 | \$4,099,448 | \$368,751 | \$316,923 | \$4,815,418 | \$4,416,371 |

Ongoing Initiatives

D.C. Bag Law - The *Anacostia River Clean Up and Protection Act of 2009* requires that all District businesses selling food or alcohol charge five cents for each disposable paper or plastic carryout bag. On January 1, 2010, District businesses began implementing the Bag Law. Almost immediately, businesses began seeing a reduction in plastic bag usage, and environmental clean-up groups found that fewer bags were polluting D.C. waterways. Businesses keep 1 cent (or 2 cents if a rebate is offered when customers bring their own bag), and the remaining 3 or 4 cents goes to the Anacostia River Protection Fund. The proceeds from this fund are used to clean and protect the Anacostia River and other local waterways.

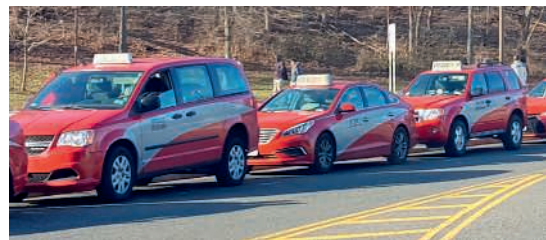


D.C. Bag Law Fees Collected
(Last 3 fiscal years)

| | |
|---------|---------------|
| FY 2016 | \$2.3 million |
| FY 2015 | \$2.2 million |
| FY 2014 | \$2.1 million |

Department of For-Hire Vehicles - Effective June 28, 2016, the D.C. Taxicab Commission was reorganized as the Department of For-Hire Vehicles (DFHV). The DFHV's mission is to provide citizens of the District of Columbia and its visitors with a safe, comfortable, efficient and affordable experience in well-equipped vehicles. The DFHV provides licensing, adjudication, enforcement, and lost and found services for approximately 8,500 drivers and over 90 taxicab companies/associations.

A uniform color scheme for D.C. taxicabs was approved by the D.C. Council in 2012 and a new taxicab design was unveiled: **Red With A Gray Stripe**. The color red is strongly associated with the city. Red is used by the Circulator line, Capital Bikeshare and the new streetcars. Currently, all new cabs must comply with the new color scheme.



DC Streetcar – The DC Streetcar started passenger service on February 27, 2016, with the H Street/Benning Road, N.E. Line. The 2.4-mile line services eight stops from Union Station to Oklahoma Avenue at RFK Stadium's parking lot. The H Street/Benning Road line is the first segment of the proposed new 37-mile system.



DC Streetcar rides are **FREE!**

DC Streetcar is currently free to ride. DC Streetcar will remain free to residents and visitors of the corridor until DDOT announces a change in fare policy.



The Retail Upsurge In D.C.

Washington, D.C. has all the building blocks for retail – walkable neighborhoods, disposable income, millions of tourists, top-notch public transit and vibrant cultural institutions. The retail scene of D.C. has become a national and international destination and is currently ranked as one of the healthiest retail markets in the U.S.

The Shops at Dakota Crossing – This 430,000-square foot retail center is located in Ward 5's Fort Lincoln community on Market Street, N.E., just inside the District line. As a booming retail center, the Shops at Dakota Crossing continue to attract high quality, national retailers.

Costco was the first to open in 2012.

Lowe's, Dick's Sporting Goods, Marshalls, and PetSmart opened in 2016.

Coming in 2017: *Starbucks, Five Below, Vitamin Shoppe, Panda Express and T-Mobile*. These new shops will bring the retail center to nearly 90 percent occupancy.



REI Washington, D.C. Flagship Store – Recreational Equipment, Inc., commonly known as REI, is an American retail and outdoor recreation services corporation, which sells sporting goods, camping gear, travel equipment, and clothing. In October 2016, REI opened a 51,000-square-foot flagship store at 201 M Street, N.E. in the NoMa neighborhood. The store is housed inside the historic big building with the curved roof formerly known as the Washington Coliseum and Uline Arena. The Arena, built in 1941, held one of President Eisenhower's inaugural balls, music concerts, hockey and basketball games and famously hosted the Beatles' first U.S. concert in 1964. In addition to the retail space, REI plans to hold classes and other events. There is also a LaColombe Café coffee shop located inside the store.



The last decade has seen unprecedented growth in retail, and its expansion beyond the traditional downtown and Georgetown communities. Although the Gallery Place/Chinatown, CityCenterDC, and the new Convention Center complex have brought new vitality to downtown, it is the newly thriving cultural centers of U Street, H Street, the Riverfront, and neighborhoods like Shaw and Brookland that area residents talk about.

RECENT RETAIL OPENINGS

- Frank & Oak (Shaw, 2015)
- Gucci (CityCenterDC, 2015)
- Louis Vuitton (CityCenterDC, 2015)
- Nike Factory Store (Ivy City, 2015)
- Ulta Beauty (Ivy City, 2016)
- Farmers & Distillers (Downtown, 2016)
- Buffalo Wild Wings (Navy Yard, 2016)
- Petco (Riggs Park, 2016)

Major Projects Under Construction

District Wharf, "A World-Class Waterfront"

This \$2 billion mixed-use development project will revitalize the Southwest Waterfront stretching across 24 acres of land and more than 50 acres of water with a total of 3.2 million square feet of buildable area along one mile of the historic Washington Channel. In 2006, Hoffman-Madison Waterfront was selected as the master developer for the Southwest Waterfront project and construction began in 2014. When complete, the Waterfront will include a unique blend of retail, residential, office, maritime, hotel, park, and cultural space that create a vibrant, amenity-rich neighborhood for both District residents and visitors.

Phase I – Opening October 2017

525 Water Condominiums
The Channel Apartments
Incanto Apartments
Pier 4 Office Building
Intercontinental Hotel
Canopy by Hilton Hotel
Hyatt House Hotel
Blue Bottle Coffee
CVS Pharmacy
Daily Water Taxi Routes



Architect rendering of the upcoming 28,000-square-foot Pier 4 Office Building. First D.C. office building built on a pier with 3 levels, surrounded by water on 3 sides!

Capitol Crossing – On May 12, 2015, Mayor Muriel Bowser and Property Group Partners broke ground on one of D.C.'s largest revitalization projects underway. Capitol Crossing is a 2.2 million-square-foot mixed-use development planned on seven acres of land. The entire project is located in Downtown and flanked by E Street, N.W. and Massachusetts Avenue, N.W. with Second and Third Streets, N.W. to the east and west. There will be a total of five Platinum LEED-certified buildings connected by landscaped public areas and the replacement of the F & G Street bridges between Second and Third Streets, N.W. It will deliver 1.9 million square feet of office space, 63,000 square feet of retail space and 150 residential units. The construction is expected to link East End to Capitol Hill and create Washington, D.C.'s first "ecoDistrict." This \$1.3 billion privately funded project is expected to be completed by 2021.



Architect rendering of Capitol Crossing

Miscellaneous Statistics

| | <u>FY 2016</u> | <u>FY 2015</u> |
|---|----------------|----------------|
| Number of police officers | 3,737 | 3,839 |
| Number of police patrol cars | 1,240 | 1,259 |
| Police crime index offenses | 35,714 | 37,471 |
| Number of fire fighters & EMS personnel | 1,875 | 1,864 |
| Number of fire & EMS stations | 34 | 34 |
| Number of front-line emergency vehicles | 114 | 94 |
| Total number of fire/rescue incidents | 34,840 | 34,924 |
| Number of D.C. Public School teachers | 3,999 | 3,684 |
| Number of D.C. Public School students | 48,757 | 47,548 |
| Number of D.C. Public School high school graduates | 2,764 | 2,784 |
| Number of University of D.C. instructors | 237 | 230 |
| Number of University of D.C. students | 4,585 | 5,118 |
| Number of University of D.C. graduates | 735 | 795 |
| Miles of street resurfaced; regular cover; pavement restoration | 51 | 42 |
| Potholes repaired | 75,417 | 72,719 |
| Tons of snow removed | 1,962,054 | 1,265,841 |

Outlook For FY 2017

The U.S. economy continued to grow at a modest pace in FY 2016, and most forecasts anticipate that growth will be similar in FY 2017. While D.C. revenues experienced a 4.4% gain in FY 2016, they are expected to fall slightly in FY 2017. This is because about half of the strong growth in FY 2016 was driven by large one-time gains. Job growth in FY 2017 is expected to be a little slower than in FY 2016. Growth in population and private sector jobs continue to add to the District's economy and tax base.

- The District's population continued to grow in FY 2016, demonstrating its increasing attraction as a place to live.
- Federal employment in D.C. once again began to increase during FY 2016, lessening the drag on the economy that had resulted from federal spending reduction policies.
- The private sector accounted for about two-thirds of job growth in the District during FY 2016, and the percentage gains in private sector growth have recently been similar to those for the nation as a whole. The biggest private sector gains in D.C. are in professional services, food services, education, and health.
- Despite the uncertainty surrounding federal fiscal policy, federal government expenditures continue to add some stability to the District's economy.
- Investments in economic development are attracting new retail establishments and housing in all neighborhoods of the city.

Glossary

| | |
|---|--|
| Business-type activities | Financed in whole or in part by fees charged to external parties for goods or services. The District reports "Lottery and Games" and "Unemployment Compensation" as Business-type activities. |
| Capital Assets | Assets (infrastructure, land, buildings, equipment) used in operations that have initial useful lives extending beyond a fiscal year. |
| Component Unit | <p>A legally separate organization for which the primary government is financially accountable and is included as part of its financial reporting entity.</p> <p>The District currently has five discretely presented component units:</p> <ol style="list-style-type: none">1) Health Benefit Exchange Authority2) Housing Finance Agency3) Not-For-Profit Hospital Corporation4) University of the District of Columbia5) Washington Convention and Sports Authority <p>The District has one blended component unit, which is an integral part of the primary government: The District of Columbia Tobacco Settlement Financing Corporation.</p> |
| Comprehensive Annual Financial Report (CAFR) | An annual report issued by state and local governmental entities. A CAFR has three major sections: introductory, financial and statistical. |
| DDOT | District Department of Transportation |
| Debt Service | Cash required in a given period, usually one year, for payment of interest and principal on outstanding debt. |
| Deferred Inflows of Resources | An acquisition of net position by the government that is applicable to a future reporting period. |
| Deferred Outflows of Resources | A consumption (use) of net position by the government that is applicable to a future reporting period. |
| ecoDistrict | An eco-district is a neighborhood or district with a broad commitment to accelerate neighborhoodscale sustainability. |
| Economic Resources | All inflows, outflows, and balances affecting or reflecting a governmental entity's net position. |
| Fiscal Year (FY) | A financial reporting period of twelve months. The District's fiscal year commences October 1 and ends September 30. |
| Fund | A separate fiscal and accounting entity used to segregate and account for resources related to a specific activity. |

Glossary

| | |
|--|--|
| General Fund | The chief operating fund of the government. This fund is used to account for all financial resources except those required to be accounted for in other funds. |
| General Obligation Bonds | Municipal bonds that are secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bond holders. Most general obligation pledges at the local government level include a pledge to levy a property tax to meet debt service requirements. |
| General Revenues | All revenues not reported as program revenues in the government-wide statement of activities. |
| Generally Accepted Accounting Principles (GAAP) | The conventions, rules, and procedures that serve as the standard for the fair presentation of financial statements. |
| Government-Wide Financial Statements | Financial statements that report governmental activities and business-type activities rather than funds or fund types. |
| Income Tax Secured Revenue Bonds | Bonds in which the repayment is to be made from amounts derived from the collection of income taxes. |
| Net Investment in Capital Assets | One of three components of net position that must be reported in government-wide and proprietary fund financial statements. It consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. |
| Net Position | The residual of all other elements presented in a statement of financial position. The difference between assets + deferred outflows of resources, on one hand, and liabilities + deferred inflows of resources, on the other, constitutes net position, the last of the financial statement elements. |
| Popular Annual Financial Report (PAFR) | An annual report issued by state and local governmental entities that extracts information from their published Comprehensive Annual Financial Report (CAFR) designed to be readily accessible and easily understandable by the general public. |
| Program Revenues | Revenues that derive directly from a government's programs (fees and charges) or from sources outside the reporting government's tax base, which are directly related to a specific related program. |
| Proprietary Fund | A business-like fund of a state or local government. Proprietary funds provide goods or services to the general public for a fee. |

Glossary

Rating Agencies

Independent sources of information and analysis for capital markets and debt instruments. These agencies are private and for-profit entities that assist investors by providing rating and detailed research on credit factors. These factors determine the credit worthiness of municipalities, governments, and business entities.

The three primary Rating Agencies that rate municipal debt are: Fitch Ratings; Moody's Investors Service; and Standard & Poor's Rating Services.

The rating scale (shown to the right) represents a consistent framework for ranking and comparing the relative risks of different debt issues. Each agency has developed its own set of easily recognizable symbols to grade all debt consistently.

Fitch and Standard & Poor's may use + or – to modify some ratings. Moody's uses the numerical modifiers 1 (highest), 2, and 3 in the range from Aa1 through Ca3.

| Explanation of municipal bond ratings | RATING SERVICE | | |
|---------------------------------------|----------------|---------|-------------------|
| | Fitch | Moody's | Standard & Poor's |
| Highest quality | AAA | Aaa | AAA |
| High quality | AA | Aa | AA |
| Upper medium grade | A | A | A |
| Medium grade | BBB | Baa | BBB |
| Predominantly speculative | BB | Ba | BB |
| Speculative, low grade | B | B | B |
| Poor to default | CCC | Caa | CCC |
| Highest speculation | CC | Ca | CC |
| Lowest quality, no interest | C | C | C |
| In default | DDD | | DDD |
| In arrears | DD | | DD |
| Questionable value | D | | D |

Restricted Net Position

One of three components of net position that must be reported in government-wide and proprietary fund financial statements. It consists of restricted assets (those limited to a specific purpose or use) reduced by liabilities and deferred inflows of resources related to those assets.

Unmodified or "Clean" Audit Opinion

A written report issued by an independent public accountant which states that the financial statements for the government present fairly its financial position and results of operations.

Unrestricted Net Position

One of three components of net position that must be reported in government-wide and proprietary fund financial statements. It is the difference between total net position and its two other components (net investment in capital assets and restricted net position).







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