CAFR 2008

Comprehensive Annual Financial Report

Year Ended September 30, 2008

Government of the District of Columbia
Office of the Chief Financial Officer

Adrian M. Fenty, Mayor
Natwar M. Gandhi, Chief Financial Officer

Adrian M. Fenty
Mayor

January 30, 2009

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's Fiscal Year 2008 Comprehensive Annual Financial Report (CAFR). Despite the current state of the nation's economy, the District has maintained a healthy fund balance, and will deliver an unqualified audit opinion for the twelfth consecutive year.

As in previous years, the District has created steady investments in residential and commercial projects and continues to attract visitors and businesses from around the country to our great city. The District's overall credit worthiness is supported by strong ratings from the major rating agencies; "A+" by Standard and Poor's, "A+" by Fitch Ratings, and "A1" by Moody's Investors Services. The ability to hold strong bond ratings enables the District to incur debt at lower interest rates, allowing the city to continue efforts to improve infrastructure and service delivery.

Although the District government has made tremendous progress over the past decade, we must build on this success to ensure financial stability for years to come. This administration is committed to strengthening the District's financial position and will continue delivering great services to all residents.

Sincerely,

Adrian M. Fenty,
Mayor

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

Natwar M. Gandhi
Chief Financial Officer

January 30, 2009

The Honorable Adrian M. Fenty
Mayor of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Fenty:

On behalf of the citizens of the District of Columbia, we are pleased to present the District's Fiscal Year 2008 Comprehensive Annual Financial Report (CAFR). The District's financial statements have once again earned an unqualified "clean" audit opinion from our independent auditors, for the twelfth consecutive year.

The year ended with General Fund revenues exceeding expenditures by $191.4 million on a budgetary basis, which includes an originally budgeted surplus of $1.5 million. During Fiscal Year (FY) 2008, total general fund revenues and other sources were $60.0 million less than the revised budget, whereas general fund expenditures and other uses were lower in most categories; as a result, spending was $238.4 million less than budgeted. The cumulative General Fund fund balance was $1.2 billion at September 30, 2008.

The District works to ensure that there are sufficient resources each year to meet critical needs and to avoid excessive debt. However, the District has a structural imbalance; federal preemptions of portions of its revenue base make it difficult to meet the combined spending requirements of a city, county, school district and state. The federal government's restructuring of District of Columbia finances in 1997 acknowledged this condition. In 2003, the GAO documented an imbalance of between $470 million and $1.1 billion. The District's structural imbalance remains a pressing issue that needs the attention of the U.S. Congress and the President of the United States.

The District cannot tax its way out of the structural imbalance, due to the prohibition against taxing nonresident workers and its largest employer, the federal government, and the unusually high concentration of nontaxable property. Neither can it borrow its way out. In a July 8, 2008 letter to you and Council Chairman Vincent C. Gray, I reported that the District's tax-supported debt service ratio at the time was projected to be approximately 9.7% of general fund expenditures by the close of FY 2008, and was projected to increase to approximately 11.8% by the end of FY 2011. Based on prevailing benchmarks, such an increase raises serious cause for concern. I commend the Mayor and Council for proceeding with legislation to provide a cap on tax-supported debt service of not more than 12% of General Fund expenditures. This prudent action will assure that the District's debt will never create an undue burden on future generations of residents. As part of the annual budget process, my office will report on the effects of outstanding and expected future borrowing on the debt cap. In this way, elected officials will be able to make informed decisions as to how much debt the District can prudently afford, and which projects should be given priority for funding.

During FY 2008, the District issued $300 million in revenue anticipation notes that were rated in the highest short-term rating category and $661.7 million in general obligation bonds that received a high "A" category bond rating, which further supports the bond market's continued very strong assessment of the District's financial strength and stability. The District took advantage of lower interest rates by also issuing $675.9 million in general obligation refunding bonds, to repay in advance general obligation bonds that were issued at higher interest rates.

There have been many substantive improvements to the District's financial reporting and operations over the last thirteen years since the District has had an independent CFO. These improvements have allowed program staff in every District agency to more effectively manage government operations at all levels. The District is one of the very few major cities or state governments in the United States that prepares its own CAFR in four months instead of the normal six-month period that most jurisdictions are allowed. I am happy to report that the District was again awarded the "*Certificate of Achievement for Excellence in Financial Reporting*" by the Government Finance Officers Association for the FY 2007 CAFR, and we will submit the FY 2008 CAFR for consideration.

I would like to commend the many employees, both program and financial staff, especially the staff of the Office of Financial Operations and Systems, who have worked diligently to guarantee a successful closure of the District's books. They have again ensured that our records meet the highest standards required for an unqualified audit opinion.

Sincerely,

Natwar M. Gandhi
Chief Financial Officer

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Government of the District of Columbia
Comprehensive Annual Financial Report
Year Ended September 30, 2008

Adrian M. Fenty
Mayor

Natwar M. Gandhi
Chief Financial Officer

John A. Wilson Building
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DISTRICT OF COLUMBIA
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Office of the Chief Financial Officer

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January 30, 2009

Dr. Natwar M. Gandhi
Chief Financial Officer

The Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2008, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report includes all disclosures necessary for readers to gain a useful understanding of the District's financial activities. The city of Washington, D.C. is referred to in this CAFR as Washington, as D.C., and as the City. This Transmittal Letter does not discuss the District's financial operations and results. To obtain a better understanding of the District's financial condition, refer to the Management's Discussion & Analysis (MD&A), which begins on page 23 of this CAFR.

Report Sections

The CAFR is presented in three sections: introductory, financial, and statistical.

Introductory Section

The introductory section includes this letter of transmittal, a list of principal officials, the District's organizational chart, and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

Financial Section

The financial section includes the independent auditors' report, Management's Discussion & Analysis (MD&A), the basic financial statements, the notes to the basic financial statements, required supplementary information (RSI), and other supplementary information (OSI) which includes combining individual fund statements and schedules. The MD&A is an analysis of the financial condition and operating results of the District and is intended to introduce the basic financial statements and notes. The MD&A must be presented as required supplementary information in every financial report that includes basic financial statements presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America.

Statistical Section

The statistical section presents detailed information that assists readers of the CAFR in assessing the overall economic condition of the District. The tables in the statistical section differ from the financial statements, because they usually cover more than two fiscal years and may present non-accounting data.

Financial Reporting Entity

The financial reporting entity consists of the primary government and its component units. The primary government is the District, which consists of all the agencies that make up its legal entity. Component units are legally separate organizations for which the primary government is financially accountable.

The District currently has five (5) discretely presented component units: (1) Housing Finance Agency; (2) Sports and Entertainment Commission; (3) University of the District of Columbia; (4) Washington Convention Center Authority; and (5) Water and Sewer Authority. The financial data for these discretely presented component units are reported separately from the financial data of the primary government.

The Tobacco Settlement Financing Corporation is presented as a blended component unit, as required by GAAP for state and local governments. The District of Columbia Housing Authority and the District of Columbia Courts are related organizations, because the District is not financially accountable for their operations.

A Brief History of Washington, D.C.

The Creation of the District of Columbia

Article I, Section 8, Clause 17 of the U.S. Constitution states: "*To exercise exclusive Legislation in all Cases whatsoever, over such District (not exceeding ten Miles square) as may, by Cession of Particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the Same shall be, for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings.*"

A little history is important to understanding why the creation of Washington, D.C. was considered so vitally important to the nation's destiny and well-being. In 1783, after a delegation of Continental Army officers complained to Congress about their unpaid salaries and pensions, Congress had no adequate response or quick solution. If its grievance was ignored, some members of the army were prepared to revolt against Congress. Some eighty soldiers from Pennsylvania, unpaid and weary, armed and angry, marched on the Congress, sitting in Philadelphia, surrounded Independence Hall demanding their pay. Physically threatened and verbally abused, the Congress fled the city when neither municipal nor state authorities would take action to protect them.

James Madison noted in the Federalist Papers in January 1788 that *"[t]he indispensable necessity of complete authority at the seat of government, carries its own evidence with it... Without it, not only the public authority might be insulted and its proceedings interrupted with impunity, but a dependence of the members of the general government on the State comprehending the seat of government, for protection in the exercise of their duty, might bring on the national council an imputation of awe or influence, equally dishonorable to the government and dissatisfactory to the other members of the confederacy.*" James Madison became the fourth President of the United States (1809-1817).

As a direct result of this incident, Washington, D.C, was established by President George Washington in 1791. Congress assumed jurisdiction over the District of Columbia from territory ceded by Maryland and Virginia, and does not provide for voting representation for residents. Residents of the fledgling Nation's Capital District were denied the right to representation that they had shared with their fellow countrymen up until then. In February 1801, Congress enacted the Organic Act of 1801, that divided the capital district into the counties of Washington (former Maryland area) and Alexandria (former Virginia area).

In 1846, as a result of the contentious debates concerning State power versus Federal power and the issue of Slavery, Congress passed a law that allowed for the returning of the City of Alexandria and Alexandria County to the State of Virginia. In 1871, Congress consolidated the three remaining municipal governments of the District of Columbia – Georgetown, Washington City and Washington County – into one territorial government. A territorial governor and council were appointed by the President. An elected House of Delegates and a non-voting delegate to Congress were also created. Thus the District of Columbia became another creation of the Congress.

In 1874, the territorial government of the District of Columbia was abolished after Alexander "Boss" Shepherd, an appointee of President Grant, spent triple the amount he projected to spend on the 1871 Comprehensive Plan to improve local infrastructure, which had become dilapidated during the Civil War. The non-voting delegate to Congress was also eliminated at that time. The power to elect a mayor and council was eliminated in 1878.

The U.S. Constitution did not automatically deny residents of the District of Columbia the right to vote for an elected government of D.C., or for elected representatives to the United States Congress or the U.S. President. Those acts of disenfranchisement required specific acts of the Congress.

Limited Home Rule and Its Imposed Costs

It was not until the 23rd Amendment to the U.S. Constitution was ratified in 1961 that Washington, D.C. citizens were granted the right to vote in a presidential election. President Lyndon B. Johnson appointed Walter E. Washington mayor in 1967, making him the first African American to govern a major U.S. city. It was part of a reorganization of city government that included an appointed council. In 1970, Congress passed the District of Columbia Delegate Act, and in 1971, Walter Fauntroy became the city's first congressional representative in almost 100-years. In 1973, Congress passed the District of Columbia Home Rule Act, which provides for a popularly elected mayor and a 13-member D.C. Council. On January 2, 1975, the Honorable Walter E. Washington became the first elected mayor of the District of Columbia in more than 100-years.

The Home Rule Act, passed in 1973, prohibits the taxing of federal property, any property exempted from taxation by federal law and the income of non-District of Columbia residents who work in the District of Columbia. It also prohibits changing height limitation for buildings and altering the courts system or changing the criminal code until 1977. After 1977, any proposed changes could be defeated by a veto from a single House of Congress. In the 1983 U.S. Supreme Court decision, *INS v. Chada*, it was held that the single house veto was unconstitutional.

As a result of *Chada*, this removed the concern over whether the District could legally issue its own debt. The District issued municipal debt for the first time, on its own, on October 15, 1984. The District issued $150 million in Tax Revenue Anticipation Notes, which were paid in full on September 30, 1985. On all legislative acts of the D.C. Council, Congress continues to retain the right to review and overturn such acts if both houses vote within 30 legislative days. The District Government budget also requires the approval of Congress and the President, even over revenues raised entirely by the District Government.

Washington, D.C. residents pay federal taxes just like other American citizens and they fight and die to protect America against foreign and domestic threats, and yet are denied the sovereign and constitutional right to elect voting representatives to the U.S. House of Representatives and to the U.S. Senate. In fiscal year 2005, Washington, D.C. residents and companies paid more total federal taxes than nineteen states.

Congressional Representation

Delegate to the House of Representatives from the District of Columbia.

In accordance with the District of Columbia Delegate Act, U.S. Public Law 91-405 the people of the District of Columbia shall be represented in the House of Representatives by a Delegate, to be known as the "*Delegate to the House of Representatives from the District of Columbia*", who shall be elected by the voters of the District of Columbia in accordance with subchapter I of Chapter 10 of this title:

> The Delegate shall have a seat in the House of Representatives, with the right of debate, but not of voting, shall have all the privileges granted a Representative by § 6 of Article I of the Constitution, and shall be subject to the same restrictions and regulations as are imposed by law or rules on Representatives. The Delegate shall be elected to serve during each Congress.

Although the D.C. Delegate, Eleanor Holmes Norton, is not allowed to vote, she has been able to accomplish a great deal for the citizens of Washington, D.C. and for all U.S. citizens. Some of the recent accomplishments of her office are:

- Renewal of the D.C. Tuition Assistance Grant Program, which provides grants of up to $10,000 for D.C. students to cover the difference between in-state and out-of-state tuition at most public colleges, or up to $2,500 to attend private institutions in the city and region.

- Renewal of the D.C. Homebuyers Tax Credit of $5,000 for qualified purchasers of a principal residence in Washington, D.C.

- Eliminating a longstanding rider to District legislation and funding that prohibited the use of local funds for a needle exchange program for D.C. residents.

- Obtaining funds to help build road infrastructure at the Southeast Federal Center, the Frederick Douglass Bridge, and the South Capitol Street Corridor.

- Eliminating a longstanding rider to District legislation and funding that prohibited the use of local funds for D.C. voting rights lobbying efforts, or for pursuing relief in court.

- Passage of legislation allowing for the creation and circulation of a 2009 District of Columbia Quarter Coin, which includes a likeness of Edward Kennedy ("Duke") Ellington, a native of Washington, D.C., and a national jazz legend and treasure. The Ellington Quarter was issued into circulation on January 26, 2009.

For more information on the accomplishments and current objectives of our D.C. Delegate, you may visit Congresswoman Eleanor Holmes Norton's website at: www.norton.house.gov.

Current Economic Condition and Outlook

Washington, D.C. Attractions and Tourism

Millions of visitors are attracted to the more than 400 museums and historical landmarks in Washington, D.C. each year. Tourists also visit other popular attractions located within the Washington Metropolitan area. Citizens of the United States and international visitors enjoy the many popular attractions along the National Mall as well as the monuments to U.S. presidents and the war memorials. Tourists also discover reminders of their American heritage at the National Arboretum and the Kenilworth Aquatic Gardens in Northeast Washington, at Fort Stevens and at the National Museum of Health and Medicine at the Walter Reed Army Medical Center.

Washington, D.C. hosts, on a permanent basis, 185 foreign embassies and recognized diplomatic missions, according to the U.S. State Department's "*Diplomatic List – Summer 2008.*" In addition, a number of international organizations such as the International Monetary Fund, the World Bank, the Inter-American Development Bank, and the Organization of American States call the District home. (Source: U.S. State Department web site: www.state.gov)

In calendar year 2007, approximately 15.0 million U.S. citizens visited Washington D.C., an increase of about 7.1% from the revised 2006 figure of 14.0 million. An estimated 1.2 million international visitors traveled to Washington, D.C. in 2007, an increase of 140,000 from the 2006 revised figure. Overall, visitors to Washington, D.C., both foreign and domestic, increased from the 15.1 million in 2006 to 16.2 million in 2007, an increase of 1.1 million, or about 7.3%. The 2008 calendar year visitor figures are not yet available.

Hotel occupancy has remained at approximately 75% from 2007 to 2008. The city's tourism industry generated more than $5.6 billion in direct spending in 2007 and directly supports 71,592 jobs. This direct visitor spending continues to generate additional business activity in related industries and is boosting local as well as regional economic growth. This trend is expected to continue. (Source: Washington Convention & Tourism Corporation web site: www.washington.org)

Employment

Total wage and salary employment in the Washington metropolitan area increased to approximately 3.03 million in FY2008 from the revised 2.99 million for FY2007, representing a 1.4% increase. However, these numbers exclude the self-employed, domestic workers, and military and foreign government personnel, which represent a significant portion of the actual work force of the region.

Total wage and salary employment within Washington, D.C. has remained at approximately 23% of the metropolitan area's total wage and salary employment during the past three years. The seasonally adjusted September 2008 unemployment rate in Washington, D.C. was 7.0%, compared to the September seasonally adjusted 2007 rate of 6.9%.

September 2008 - Labor Market ('000s)

	District of Columbia		Metropolitan area	
	Level	1 yr. ch.	Level	1 yr. ch.
Employed residents	308.1	1.9	2,930.9	24.9
Labor force	331.7	6.4	3,054.6	57.9
Total wage and salary employment	704.4	13.7	3,033.0	40.7
Federal government	192.8	1.8	345.2	3.8
Local government	38.6	-0.3	317.1	12.4
Leisure & hospitality	56.4	0.9	259.6	1.8
Trade	22.7	0.1	337.5	-0.4
Education and Health	102.7	5.7	340.1	11.9
Professional, business and other services	222.4	6.2	879.8	21.5
Other private	68.8	-0.7	553.7	-10.3
Unemployed	23.7	4.4	123.7	33.0
New unemployment claims (D.C.)	1.7	0.2	N/A	N/A

Sources: U.S. Bureau of Labor Statistics (BLS) and D.C. Department of Employment Services (DOES)

Total employment within Washington, D.C. increased to 704,400 in September 2008 from the revised 690,700 in September 2007. Some of the references to the 2007 employment numbers may be different from those shown in the FY2007 CAFR because of updates and revisions.

As the Nation's Capital, Washington, D.C. is the seat of the federal government and headquarters for most federal departments and agencies. The total September 2008 federal work force in the Washington metropolitan area totaled 345,200; with approximately 192,800 federal employees located in Washington, D.C. and 152,400 additional federal employees who worked elsewhere in the Washington metropolitan area. Although both the District and the federal government employ fewer employees than in the past, new business operations, especially in the service industry, continue to fill the void and are strengthening the local economy. The increased spending by the Department of Homeland Security and the Department of Defense are also helping to stabilize federal employment in the region.

Minimum Wage

District law requires that the minimum wage rate for Washington, D.C. employees be at least $1.00 per hour greater than the minimum wage set by the federal government. In July 2007, the federal minimum wage rate was increased to $5.85 per hour from $5.15 per hour, where it had been since September 1, 1997. The President signed into law an increase in the federal minimum wage in three steps: $5.85 per hour beginning on July 24, 2007; $6.55 per hour beginning on July 24, 2008, and $7.25 per hour beginning on July 24, 2009. Accordingly, the District's minimum wage has been increased to $7.55 per hour as of July 24, 2008 and will be increased to $8.25 per hour beginning on July 24, 2009.

U.S. Census Bureau

The U.S. Census Bureau estimated that on July 1, 2008 there were 591,833 permanent residents in Washington, D.C., an increase of 3,965 from the revised July 1, 2007 estimate of 587,868, or 0.7%. The annual census estimates are based on birth and death records, changes in tax return filings and estimates of the number of immigrants who move into Washington, D.C. each year. District officials have consistently disagreed with the Census Bureau because these estimates do not take fully into account the effect of increased residential construction, property transfers and undocumented individuals.

Factors Affecting the District's Financial Condition

Structural Imbalance

In May 2003, the United States Government Accountability Office (GAO) issued the report "*District of Columbia – Structural Imbalance and Management Issues*" to address the District's known structural imbalance. Structural imbalance is defined as the fiscal and economic imbalance caused by being required to fund the services of both a state and city. The District also provides, without any tax benefit, for the presence of the Federal government and numerous non-profit organizations. The inability to tax revenue earned by non-residents, and the inability to tax Federal properties, tax-exempt properties, and non-profit international entities place a severe strain on the District's limited resources.

The following bullets provide highlights from the report:

- The cost of delivering an average level of services per capita in Washington, D.C. far exceeds that of the average state fiscal system due to factors such as high poverty, crime, and the high cost of living.

- The District's per capita total revenue capacity is higher than all other state fiscal systems but not to the same extent that its costs are higher. Revenue capacity would be larger without constraints on its taxing authority, such as the inability to tax federal property or the income of nonresidents.

- The District faces a substantial structural deficit because the cost of providing an average level of public services exceeds the amount of revenue it could raise by applying average tax rates. The District's structural deficit was estimated to range from $470 million to $1.143 billion annually.

- Even though the District's tax burden is among the highest in the nation, the resulting revenues plus federal grants are only sufficient to fund an average level of public services, if those services were delivered with average efficiency.

- The District's underlying structural imbalance is determined by factors beyond the District's direct control.

Please visit GAO at www.gao.gov to view the full report or contact GAO at (202) 512-3000 to request a copy of GAO-03-666 report.

Income Trends

In a report prepared by the Center on Budget and Policy Priorities and the Economic Policy Institute issued in early 2006, "*Pulling Apart: A State-by-State Analysis of Income Trends*," it was concluded that the gap between the highest and lowest income families in the city grew substantially between the early 1980s and the early 2000s. Middle-income families experienced only modest growth in salaries. These findings demonstrate that increasing economic growth will not, by itself, reduce economic inequality. The District continues to request that the federal government address the District's revenue limitations. The District must target and manage programs and services directed at the poorest and at-risk families more effectively, while also making it more attractive for middle-income families to remain, or to move into the city.

Major Projects and Initiatives

With the third largest office inventory in the country, at approximately 132 million square-feet, Washington, D.C. offers one of the best markets for investors, developers, corporate offices and tenants. Investors continue to rank D.C. as the #2 office investment market nationally and internationally. Over 30-million square-feet of space have been delivered since 2001, and over 12-million additional square-feet of space are currently under construction or renovation. In addition to the office space already completed and under construction, another 46-million square-feet are in the pipeline.

Development in the District's retail sector is on the rise as retailers discover this relatively untapped market. Major retail deliveries in the past year included D.C. USA, the Citadel Building and Highland Park, which together delivered more than 559,000 sq. ft. of new retail. Due to an increasing population, grocery stores are also looking to enter the market and expand existing stores. During the first half of 2008, D.C. saw the opening of two Harris Teeter grocery stores, and, by the end of 2009, a new Safeway and Yes! Organics were scheduled to open. By 2011, an additional 10 grocery stores plan to open, including three Safeways, two Giant Foods, a Yes! Organic, and a Harris Teeter.

Even with the slow-down in the residential sector, D.C. remains a relatively strong market with an increasing workforce and population. However, the "credit-crunch" has resulted in several projects switching from condominiums to apartments. Whereas, from 2005 to 2007, D.C. saw a large increase in home ownership projects and condominium units, nearly 70% of all units under construction and scheduled to deliver in the 2009 to 2010 timeframe will be rental. While developers continue to invest in D.C., location has become an even greater factor when pursuing new properties. The three areas in D.C. that will see the largest residential development will be Mount Vernon Triangle, NoMa and the Capital Riverfront.

When the 2.3 million sq. ft. Washington Convention Center opened in 2003, it solidified D.C. as a convention and business destination. It sparked a wave of investment from the hotel industry, vying for the 16.2 million business travelers and tourists that come to D.C. each year. Overall, the D.C.'s hotel occupancy rate is a steady 74% - 75%, and the D.C. market is one of the most visited in the U.S. In the past 12-months, the 215,000 sq. ft. Newseum, the 41,888-seat Nationals Park and the second home of the Shakespeare Theatre, the Harman Center for the Arts, the renovated National Museum of American History, and the Capitol Visitor Center have opened their doors. Over the next 18-months, additional cultural amenities that will open include another 740 new or renovated hotel rooms.

Washington, D.C. is home to 140,000 students attending elementary, high school or college. In order to prepare these students for the future, they need state-of-the-art facilities. The major D.C. colleges and universities continue to add new academic centers and dorms to handle an increasing student population. The D.C. Public Schools are undergoing an immense $1.3 billion modernization to upgrade aging buildings and construct new schools by 2014. The newly formed D.C. Office of Public Education Facilities Modernization is overseeing the upgrades and new construction. During the summer of 2008, over $200 million was invested to renovate 60 D.C. Public Schools to prepare them for the current school year.

Washington, D.C., a city created as the symbol of democracy, has become an economic engine that anchors the entire region and beyond. An urban renaissance is transforming the nation's capital into a world-class city with an unparalleled business environment.

The Washington, D.C. Economic Partnership was responsible for the development of the preceding narrative about D.C. development projects, completed, under construction and currently planned. For more information about D.C. developments, please visit their website at: http://www.wdcep.com/

The Walter E. Washington Convention Center Headquarters Hotel

The Board of Directors of the Washington Convention Center Authority (WCCA) announced on September 29, 2008 that its project with Marriott International to build a 1,167-room 4-Star Marriott Marquis hotel, which will serve as the headquarters hotel, is expected to break ground in late-2009, and be completed by early-2012. The hotel will be located on 9th and L Streets, N.W., and will include additional meeting space and approximately 400 parking spaces. To move the deal forward, the District completed a land swap on November 1, 2007 with local developer Kingdon Gould III for property located within the old convention center site. That decision allowed the District to move forward with plans for a mix of housing, office, retail, and cultural facilities on the site of the old convention center.

The Old Convention Center Site

On December 17, 2007, the Mayor announced that the District had closed on its deal with Hines | Archstone-Smith, making way for an $850 million retail, residential and office project on the site of the former Washington Convention Center. The Hines | Archstone-Smith team expects to break ground on the site by January 2009. Located on a 10-acre parcel bounded by New York Avenue and 9th, H and 11th Streets in downtown, the project will create a pedestrian-friendly neighborhood with 250,000 square feet of retail; more than 670 apartments and condos including at least 134 units of affordable housing; 465,000 square feet of office space and parks and entertainment areas—a combination that will make the site a live/work/play environment unlike any other in D.C.

The District awarded Hines | Archstone-Smith development rights to the site in June 2005, after the team prevailed in a competitive selection process. The master-plan was approved in October 2006, at which time the schematic design phase of the project began. The team is working to finalize design, bidding and permitting in early 2009. It is anticipated that a 35-month construction period will begin in January 2009, with initial occupancy in July 2011.

This project is expected to: (1) generate 3,842 construction jobs and 3,885 direct permanent jobs; (2) generate more than $30 million a year in direct tax revenues; (3) provide affordable housing for 20% of all units, and 80% of all units for those earning 30 percent, 60 percent and 80 percent of the Area Median Income, and; (4) create significant opportunities for Certified Business Entities (CBE). CBEs will also own 20 percent of developer equity, and at least 35 percent of construction and operations will go to CBE contractors. District residents will be given priority for at least 51 percent of all new jobs created in relation to the project.

For more information about this project, please visit http://oldconventioncenter.com/.

Neighborhood Revitalization

New Communities Initiative

The New Communities Initiative is a comprehensive partnership between the District government, neighborhoods and other public and private stakeholders. The initiative focuses on neighborhoods where older public housing developments are located and where high concentrations of poverty and crime exist. The goal of the initiative is to redevelop the neighborhoods into healthy, vibrant communities for current and future residents.

The four new communities that are to be developed are:

- **Barry Farm/Park Chester/Wade Road** – Suitland Parkway to the north, Martin Luther King, Jr. Avenue to the east, Firth Sterling Avenue to the west, and Saint Elizabeth's West Campus to the south.
- **Lincoln Heights/Richardson Dwellings** – East Capitol Street to the south, Hayes Street including Nannie Helen Burroughs Avenue to the north, 48th Place to the west, and 57th Street to the east.
- **Northwest One** – North Capitol Street on the east, New York Avenue on the north, New Jersey Avenue on the west, and K Street on the south.
- **Park Morton** – Georgia Avenue on the west, Warder Street on the east, Lamont Street on the south, and Park Road on the north.

The New Communities Initiative has four guiding principles:

- **One for One Replacement** of existing units to ensure that there is no net loss of the existing deeply subsidized units in the neighborhood.
- **The Right to Return/Stay** to ensure that current families will be able to afford to stay in their neighborhood.
- **Mixed-Income** to ensure the long-term viability of the neighborhood by providing a range of housing for all incomes.
- **Build First**, which calls for new housing on publicly-controlled lands to be built prior to the demolition of existing distressed housing to minimize displacement.

The New Communities Initiative program's key objectives are to:

- **Protect** and expand affordable housing.
- **Promote** mixed-income communities.
- **Create** economic opportunities through better jobs, education, training, and human service programs.
- **Rebuild** community anchors like schools, libraries and recreation centers.
- **Engage** residents in the decision-making process and the design of their community.

D.C. Department of Transportation

The District of Columbia Department of Transportation's (DDOT) mission is to enhance the quality of life for residents and visitors by ensuring that people, goods, and information move efficiently and safely, with minimal adverse impact on residents and the environment.

DDOT currently has three major initiatives in the city; the *Anacostia Waterfront Initiative*, the *Fredrick Douglass Memorial Bridge* and the *Great Streets Initiative.*

The *Anacostia Waterfront Initiative* (AWI) is a multi-agency effort to revitalize the areas around the waterfront of the Anacostia River by creating a hub of economic development and bringing thousands of new jobs, residents and visitors. The AWI envisions: environmentally responsible development; unification of the diverse waterfront areas into commercial, residential, recreational, and open-space uses; development and conservation of park areas; greater access to the waterfront, communities, and business corridors.

This initiative created the Anacostia Waterfront Corporation (AWC) in 2004 to oversee the development of the Anacostia River and its banks. The AWI seeks to ensure that the social and economic benefits derived from a revitalized waterfront are shared by those neighborhoods and people living along the Anacostia River. Early projections show that the cost would be approximately $8 billion and take at least 25 years to complete. Please visit www.anacostiawaterfront.net to follow the progress of this exciting and monumental task. The AWC was made a part of the District's Planning and Economic Development Agency in 2007.

The *Fredrick Douglass Memorial Bridge Initiative* began a major renovation of the Frederick Douglass Memorial Bridge in January 2007. Constructed in 1950, the Frederick Douglass Memorial Bridge has served as a major thoroughfare into our nation's capital for both Southern Maryland and Northern Virginia commuters. However, a study and evaluation conducted by DDOT in late 2001 deemed the bridge to be a major barrier to pedestrian, bicycle, motorist and commercial access in and around the Anacostia Waterfront area. DDOT determined that extensive renovation of the bridge is necessary to accelerate the transformation of the South Capitol Street Corridor and Anacostia Waterfront.

The *Great Streets Initiative* targets major boulevards in the city to improve the condition and function of the streets and roadways and to promote local business enterprises and improve neighborhood quality of life. It is a multidisciplinary approach to corridor improvement. DDOT has committed more than $100 million over the next four years to define, improve, and maintain the public realm of the corridors. The seven targeted corridors are:

1) **7th Street and Georgia Avenue, N.W.** (Mount Vernon Square to Eastern Avenue)
2) **Benning Road N.E.** (Benning Road to Southern Avenue)
3) **H Street, N.E.** (North Capitol Street to 17th Street, N.E.)
4) **Nannie Helen Burroughs Avenue, N.E.** (Minnesota Avenue to Eastern Avenue)
5) **Minnesota Avenue** (Sheriff Road to Good Hope Road)

6) **Pennsylvania Avenue, S.E.** (Second Street, S.E. to Southern Avenue)
7) **Martin Luther King, Jr. Avenue, S.E. and South Capitol Street** (East of the Anacostia River, Good Hope Road to Southern Avenue)

By uniting infrastructure investments "between the curbs" with economic development support "behind the curb," DDOT and its program partners aim to reposition the Great Streets corridors as vibrant and unique community centers that meet the needs of local residents, visitors, workers and entrepreneurs. Public space improvements such as restored streets, sidewalks, transit services, lighting and trees reveal the promise of target neighborhoods - places that will soon bring population back to Washington, generate commerce, create jobs, expand the District's tax base, and improve the quality of life for the residents.

Please visit www.greatstreetsdc.com to view the plan and progress of this effort.

D.C. Housing Finance Agency

The D.C. Housing Finance Agency (HFA) was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, D.C. HFA accomplishes its mission by issuing mortgage revenue bonds that lower the homebuyers' costs of purchasing and rehabilitating homes and the developers' costs of acquiring, constructing and rehabilitating rental housing. HFA embraces its responsibility with conviction and pledges its best efforts to serve as the city's champion for homeowners and renters and to act as the city's principal catalyst for neighborhood investment.

New residential construction is occurring in all sections of Washington, D.C., and ranges from single family dwellings, to townhouses, to apartment buildings and condominiums. HFA helped finance a total of 218 affordable single family units and 1,212 affordable multifamily units in fiscal year 2008. The total number of housing units financed was 1,430, with the amount of financing totaling approximately $134.8 million. These various ongoing efforts are creating more vibrant downtown residential neighborhoods, in addition to expanding residential development throughout Washington, D.C. Rapidly increasing construction activity in the form of the rehabilitation of vacant warehouses, commercial buildings and residential structures, and new construction in all areas provide incentives and very strong marketing tools for attracting new residents and workers to the Nation's Capital.

Since 1999, HFA has issued almost $2.6 billion in mortgage revenue bonds to finance more than 27,408 affordable rental units and single family homes throughout the city. The HFA works closely and collaboratively with its government housing partners to help increase developers' ability to access various government resources to assist with their development plans. HFA financed seven multifamily housing developments during FY 2008 and issued almost $90 million in tax exempt and taxable mortgage revenue bonds for multifamily rental housing. Companion financing in the amount of almost $6.1 million in low income housing tax credit and historic tax credit equity was raised and invested by institutional and private financiers in FY 2008. These tax exempt bond deals supported the construction or preservation of new and existing affordable housing units.

D.C. Office of Planning

The District's Office of Planning is involved in projects that impact just about every area and neighborhood. Among these are projects from each of the city's eight wards, listed respectively by ward: (1) the Park Morton Redevelopment Initiative Plan; (2) the Development Framework for a Cultural Destination District Within Washington, D.C.'s Greater Shaw/U Street; (3) the Glover Park Commercial District Study; (4) the Kennedy Street Corridor Revitalization Plan; (5) the Northeast Gateway Revitalization Strategy and Implementation Plan; (6) Pennsylvania Avenue, S.E.; (7) the Benning Road Corridor Redevelopment Framework, and; (8) the Barry Farm/Park Chester/Wade Road Redevelopment Plan. Please visit http://planning.dc.gov/ to view in greater detail the many neighborhood and revitalization plans that have either been completed or are ongoing.

Washington enjoys a remarkable wealth of parks—from the large forested areas of Rock Creek Park to small neighborhood parks, playgrounds and ball fields. Washington, D.C. has more than 7,800 acres of public parks, or open space, which is the most park land of any of the country's most populous cities.

To protect and enhance this great resource, the Office of Planning and the D.C. Department of Parks and Recreation (DPR) have joined forces with the National Park Service and the National Capital Planning Commission to launch CapitalSpace. By working together, CapitalSpace partners will improve park management, eliminate duplicated efforts, and maximize resources. The partners are also collaborating closely with D.C. Public Schools (DCPS), the District Department of Transportation (DDOT), and the U.S. Commission of Fine Arts.

The principal goals of CapitalSpace are to perform the following:

- Balance and reconcile intense demand for the parks and clarify appropriate uses.
- Enhance the quality of the city's parks and improve access to them.
- Establish a coordinated, connected citywide system of parks.

- Provide parks and open spaces that serve the needs of long-established neighborhoods as well as rapidly changing areas.
- Attract scarce resources for wise investments to design, operate, and maintain the city's parks and open spaces to the highest standards.

McMillan Site

The 25-acre former McMillan Reservoir Sand Filtration Site, located at North Capitol Street and Michigan Avenue, is expected to be redeveloped into a mixed-use project that may include residential, retail, office, hotel, park space, and historic preservation. The District, the selected development team, led by EYA, and the communities surrounding the site are currently working cooperatively through a charrette process that will determine the master plan and uses for the site. The goal is to create an architecturally distinct, vibrant, mixed-income community that provides housing, job, retail, educational, and recreational opportunities for District residents. The project will include affordable and workforce housing and 35 percent of the local contracting opportunities must go to certified local, small and disadvantaged businesses enterprises (LSDBEs). More than half of all new jobs created must be offered to District residents and at least 20 percent of the equity used to finance the project must come from LSDBEs as well.

Skyland Shopping Center Redevelopment

The District is finalizing plans to redevelop the former Skyland Shopping Center (Skyland), which was recently acquired by eminent domain to increase the development potential and positive impact on the surrounding neighborhood. It is anticipated that the new Skyland will include: (1) over 320,000 sq ft. of retail; (2) 1,100 surface parking spaces; (3) $125 million in total development investment; (4) $3.3 million in new annual tax revenue, and (5) over 230 permanent new jobs. The 18-acre Skyland site is located on Good Hope Road at Naylor Road and Alabama Avenue, S.E.

There are currently more than $60 billion in the District's development pipeline-residential, commercial, retail and institutional projects that are either under construction, planned or proposed. During the past decade, the District government has played a critical role in creating an environment that encourages growth and investment not only in the city's downtown commercial district but throughout the entire city. Please visit http://dcbiz.dc.gov to view in greater detail the many projects that are currently under development, or planned, for the District.

Federal Government Projects

The federal government continues to see the District as the prime location for consolidating agencies, functions and staff. The federal government continues to increase its employment presence in the Southeast Federal Center (Center), which already houses a number of U.S. agencies. Plans are under consideration for the long awaited development of federal lands near and adjacent to the U.S. Navy Yard. The U.S. Department of Transportation (DOT) completed a new headquarters' building, covering 11 acres, at the Center. The new DOT headquarters provides 1.35 million square-feet of space for 7,000 employees. The redevelopment of the remaining 44 acres of the Center will include 1.8 million square-feet of office space, 2,800 residential units, and as much as 350,000 square-feet of retail space.

The Federal government has designated the St. Elizabeth's west-campus site for the Homeland Security headquarters, beginning with the construction of a new Coast Guard headquarters. This project will be historic because it marks the first time the federal government has brought development east of the Anacostia River. The $3.4 billion headquarters will be one of the largest construction projects in the Washington area since the Pentagon was built in the 1940s. The National Capital Planning Commission just recently approved the master plan for the headquarters. The District believes that this project and other federal construction will stimulate long sought development along the Martin Luther King, Jr. Avenue.

In 2005, the federal government announced a proposal to transfer approximately 170-acres of federal land to the District. The proposal, approved by Congress, will allow the District to push forward several critical initiatives. These initiatives include a new state of the art hospital in Ward 6, recreational opportunities at Poplar Point, east of the Anacostia River, restoration of the old Naval Hospital in S.E., and better control of land near the Convention Center.

As part of the agreement, the District will surrender five abandoned buildings on the St. Elizabeth Hospital's campus to the federal government. In addition, the District will relinquish administrative control of a handful of smaller parcels, most of which are already being used as parkland and will not be altered in any way. The transfer has not yet taken place, as plans for environmental remediation of many of the properties must be completed, and funding for the remediation must be made available before the transfers will occur.

The Pentagon's Base Realignment and Closure Commission voted in 2005 to close the Walter Reed Army Hospital (Walter Reed). It is expected that the closure of Walter Reed will occur sometime after 2010, but future uses of the property have not yet been decided. The District is encouraging the federal government to move quickly to turn the property over for productive uses that will benefit the neighborhood, the city and the region. The Walter Reed site encompasses a 73-building complex over 113-acres. Walter Reed has been in operation on Georgia Avenue in N.W. Washington, D.C. since 1909.

The U.S. Capitol Visitor Center opened to the public on December 2, 2008. From its inception, the Capitol Visitor Center has been conceived as an extension of the Capitol that welcomes visitors to the seat of American government. At nearly 580,000 square feet, the Capitol Visitor Center is the largest project in the Capitol's 215-year history and is approximately three quarters the size of the Capitol itself. The entire facility is located underground on the east side of the Capitol so as not to detract from the appearance of the Capitol and of the grounds designed by Frederick Law Olmsted in 1874. The planting of 85 new trees, the restoration of historic fountains, lanterns and seat walls, and the addition of skylights, water features and granite pavers across the East Front Plaza will all serve to revitalize the historic landscape.

The Smithsonian's National Museum of American History reopens after two years of architectural renovations to shed new light on American history, literally and figuratively. The Museum has been dramatically transformed and will engage audiences of all ages. Visitors walk into a five-story sky-lit atrium, surrounded by artifact displays showcasing the breadth of the Museum's three million objects from the cultural, social, technological and political history of the United States. A grand staircase now links the Museum's first and second floors and six landmark objects located in the wings of each of the three exhibition floors help orient visitors. New galleries such as the Jerome and Dorothy Lemelson Hall of Invention, presenting "Invention at Play," join old favorites including "The American Presidency: A Glorious Burden" and "America on the Move." At the heart of the Museum, the Star-Spangled Banner—one of the most recognized symbols of the nation—has been given a new state-of-the-art gallery and fresh interpretation. The grand reopening kicks off a year of new exhibitions and programming throughout 2009.

Business Improvement Districts

A business improvement district (BID) is organized and established by property and business owners to enhance the economic vitality of a downtown or neighborhood commercial area. The cost of BID services is financed by a self-imposed tax on the businesses within the community. Often, the tax is a surcharge to the real property tax liability of commercial property. The tax is collected by the District and all revenues are returned entirely to the organization managing the BID. Business and property owners control the BID and how funds are spent. BID expenditures are used primarily for purchasing supplemental (e.g. maintenance, sanitation, security and branding activities) and capital improvements (e.g. street furniture and decorative lighting) beyond those services already provided by the city.

Justification for and benefits of a BID:

- Some parts of the District are used more intensively than others, and therefore require additional services.
- Supplemental services are better allocated on a very local level by a special-purpose organization with a thorough knowledge of the service needs.
- BIDs help a district present and maintain a consistent, customer-friendly, and clean public appearance.
- BIDs can work closely with elected officials and District agencies to voice collective concerns, monitor business regulations, and obtain funding and support for business development projects.

Washington, D.C. has the following eight (8) BIDs:

1) Adams Morgan Partnership
2) Capital Hill
3) Capitol Riverfront
4) Downtown D.C.
5) Georgetown
6) Golden Triangle
7) Mount Vernon Triangle
8) NoMa (North of Massachusetts Avenue)

Economic Tax Incentives

The District has created two annual sales tax holidays. The first sales tax holiday is in August, to assist families with their Back-to-School purchases, and the second one starts the day after Thanksgiving. These Sales Tax Holidays are available to both residents and non-residents.

The Taxpayer Relief Act of 1997 (PL 105-34) established the District of Columbia's Enterprise Zones. The zones consist of the previously existing enterprise zone communities plus all other census tracts for which the poverty rate is at least 20%. The law also increased the limitation on tax-exempt economic development bonds to $15 million. It eliminated the federal capital gains tax through December 31, 2007 on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%. Another incentive to businesses has been the wage tax credit, allowing an employer a 20% credit for the first $15,000 (or $3,000) of an employee's wages if that employee is a D.C. resident. The federal Homebuyer Tax Credit provides a maximum $5,000 income tax credit for first-time buyers of principal residences.

The Tax Parity Act of 1999 created a schedule to lower District taxes on both income and real property. The tax rates make Washington, D.C. more competitive with the neighboring suburban jurisdictions. The Act streamlined the tax code and eliminated duplications and discrepancies.

At the same time, the District moved from a property assessment schedule of every three years to an annual assessment of all properties.

The District uses the Tax Increment Financing (TIF) Program to encourage new economic development projects that may not occur without this program. TIFs are supported by the collection of increased sales and use and real property taxes in the areas associated with each TIF project. Once the TIF notes or bonds are repaid, these tax collections will go into the District's General Fund.

Accounting System

The District's accounting system is organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity, having its own assets, liabilities, equity, revenues, and expenditures/expenses. The types of funds used are determined in accordance with generally accepted accounting principles (GAAP) and the number of funds established within each type is guided by the "minimum number of funds principle" and sound financial administration. Specialized accounting and reporting principles and practices apply to governmental funds. Proprietary, component units and pension trust funds are accounted for in the same manner as business enterprises.

Measurement Focus and Basis of Accounting

Fund balances in the governmental fund financial statements will generally differ from net assets in the governmental activities of the government-wide financial statements due to the measurement focus and basis of accounting used in the respective financial statements.

- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.
- The government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.
- The District's financial statements are prepared in accordance with GAAP.

Internal Control

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are processed and summarized to allow for the preparation of financial statements in conformity with GAAP.

The internal controls are designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the application of estimates and judgments by management.

The management of any entity – government, business, or nonprofit organization – is charged with providing the leadership needed for the entity to achieve its purpose. Moreover, management is not free simply to act in any way it chooses to achieve the entity's goals. Rather, management's options and actions are circumscribed by constraints and expectations, both implicit and explicit. Management's responsibilities may be summarized as follows:

- ***Effectiveness***: Ultimately, management's success must be judged on the basis of whether the entity is achieving its objectives.
- ***Efficiency***: Because there are legitimate and conflicting demands for scarce resources, management is expected to make optimal use of the resources placed under its control. An activity can only be truly efficient if it is first effective.
- ***Compliance***: Management does not have unlimited authority over the resources under its control. Rather, management's control over resources normally is limited by policy, law, or regulation, particularly in the public sector. A condition of management's stewardship of resources is that it strictly complies with all such restrictions.
- ***Reporting***: Managers must be accountable to those who have provided the resources in their care. An essential part of meeting this responsibility is the regular preparation of financial reports for the benefit of interested parties.

The greatest challenge to effective internal control is ensuring that the control established by management is ***comprehensive*** – that is, broad enough to fully achieve its intended purpose. It is generally recognized that any truly comprehensive framework of internal control must possess five essential elements. The framework must provide for:

- A favorable ***control environment***
- The ***continuing assessment of risk***
- The design, implementation, and maintenance of effective ***control-related policies and procedures***
- Effective ***communication*** of information, and
- Ongoing ***monitoring*** of the effectiveness of control-related policies and procedures, as well as the resolution of any potential problems identified.

The cost of internal control, of course, should never exceed related benefits. Thus, a key limitation on internal control is that cost considerations will prevent management from ever implementing a *"perfect"* system. Instead, management will deliberately choose to run certain risks because the cost of preventing such risks cannot be justified.

A second important limitation of internal control is that control-related policies and procedures are potentially subject to management override. That is, if management has the power to establish a control-related policy or procedure, management probably has the ability to override that same policy or procedure.

The risk of collusion is a third limitation of internal control. Often, control-related policies and procedures are designed so that one employee functions as a check on another employee's work (segregation of incompatible duties). Consequently, there is always the risk that employees who are supposed to serve as a check on one another may instead work together to circumvent control.

Budgetary Control

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by the D.C. Council and the U.S. Congress. A project-length financial plan is adopted for Capital Projects Funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the General Fund. The District also maintains an encumbrance recording system as one technique of accomplishing budgetary control. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Funds.

By law, the budgetary general fund includes both the general fund and the federal and private resources funds. However, for reporting purposes, the federal and private resources fund is reported separately as a special revenue fund. Additionally, the budgetary basis of accounting used to prepare the budgetary comparison statement presented in Exhibit 2-d differs from the GAAP – basis due to the basis, entity, perspective and timing differences, as follows:

- ***Basis Differences*** - The District uses the purchases method for budgetary purposes, and the consumption method to account for inventories on a GAAP basis. Under the consumption method, a governmental expenditure is recognized only when the inventory items are used. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received and transaction is vouchered.

- ***Entity Differences*** - This basis relates to inclusion or exclusion of certain activities for budgetary purposes as opposed to those on a GAAP basis for reporting purposes. Such activities primarily include the following as detailed in Exhibit 2-d:
  - Fund balance released from restrictions
  - Proceeds from debt restructuring
  - Accounts receivable allowance
  - Operating cost from enterprise funds

- ***Perspective Differences*** – Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is used to construct the basic financial statements. If there were significant budgetary perspective differences that resulted in the District's not being able to present budgetary comparisons for the District's general fund and major special revenue funds as part of the basic financial statements, then the District would have to present its budgetary comparisons as required supplementary information (RSI). The District does not have any significant budgetary perspective differences, and its *Budgetary Comparison Statement*, Exhibit 2-d, is presented as part of the basic financial statements on page 51.

- ***Timing Differences*** – Timing differences can exist when there are significant variances between budgetary practices and GAAP, which may include continuing appropriations, project appropriations, automatic reappropriations, and biennial budgeting. The District has no significant timing differences between its budgetary practices and its GAAP presentation of its financial statements. GAAP requires that all jurisdictions recognize property tax revenues when they become available. The "*availability criteria*" means collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. GAAP has determined that this period shall not exceed 60 days. As a result, the District was required to include property tax revenues collected within 60-days of September 30, 2008 as FY 2008 revenues.

The "*District Anti-Deficiency Act of 2002*" (the Act) became effective on April 4, 2003. The Act requires District managers to develop spending projections, by source of funds, on a monthly basis, which show year-to-date spending, approved budget, year-end projected spending, explanations of variances greater than 5%, and in the occurrence of overspending, corrective action plans. Spending projections are required to be submitted to the agency head and the agency fiscal officer. Summarized spending projections must be submitted to the District's CFO no more than 30-days after the end of each month.

The District's CFO is required to submit reports to the D.C. Council and the Mayor on a quarterly basis indicating each agency's actual expenditures, obligations, and commitments, each by source of funds, compared to their approved spending plan. This report is required to be accompanied by the CFO's observations regarding spending patterns and steps being taken to assure that spending remains within the approved budget.

Congressional mandate required the District to accumulate and maintain an emergency cash reserve equaling 4% of the total budget allocated for operating expenditures by the end of FY 2004. An additional contingency cash reserve was also established, which equaled 3% of the total budget allocated for operating expenditures. The District met both of these requirements. Beginning in FY 2005, the District is only required to maintain a combined balance of 6% of the general fund expenditures less debt service. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%.

Cash Management

Generally, cash from all funds of the primary government is combined unless prohibited by law. Any cash that is not needed for immediate disbursement is invested in securities which are essentially guaranteed by the federal government, such as mutual funds consisting of federal government obligations or repurchase agreements collateralized by federal agency obligations.

The Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Code 47-351.3) authorized the District to invest in certain obligations that may not be guaranteed by the federal government. Such deposits and investments are fully collateralized with approved securities that are held by the District or by its agent in the District's name.

Bond Rating Agencies

Rating agencies assess credit quality of municipal issuers and assign a credit rating based on their analyses. An acceptable credit rating enables the issuer to access the market. Because the municipal market contains so many issuers, rating agencies provide vital information to investors as to the relative risks associated with rated bond issues. The three primary Rating Agencies that rate municipal debt are: (1) Fitch, IBCA, Inc.; (2) Moody's Investors Service; and (3) Standard and Poor's Rating Service.

The District's bond ratings for the past four years are:

Bond Rating History

	Last Four Fiscal Years			
	2005	**2006**	**2007**	**2008**
S&P	A+	A+	A+	A+
Moody's	A2	A2	A1	A1
Fitch	A	A	A+	A+

Risk Management

The District retains the risk of loss arising out of the ownership of property or from some other cause, except for health care and life insurance benefits for employees. A liability is established in the government-wide statement of net assets to reflect certain contingencies; however, this amount is not intended to include all assets that may be required to finance losses. Rather, certain losses are recognized in the affected funds when they occur. The District is self-insured for unemployment and disability, also known as worker's compensation, as well as for general liability.

Independent Audit

District law (D.C. Code 47-119) requires an annual financial audit of the District by independent certified public accountants. The audit must be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO). The financial statements must be prepared in conformity with Generally Accepted Accounting Principles (GAAP). The District has complied with these requirements and the independent auditors' report is included in the financial section of this report.

The D.C. Office of the Inspector General (OIG) is responsible for selecting the District's Independent

Auditor (Auditor), after a thorough review of bids from qualified auditing firms. The winning Auditor is awarded a contract for the Base-Year, with up to Four-Option-Years, if the Auditor continues to meets the standards and criteria established by the OIG in the contract. The Auditor may not succeed itself at the conclusion of its term. The Auditor is responsible for conducting an annual financial audit, which is designed to assure the reliability of the financial statements presented in the District's Comprehensive Annual Financial Report (CAFR). The audit is conducted to obtain reasonable assurance about whether the financial statements are free of material misstatement. The goal of the Auditor is to obtain *reasonable* – not absolute - *assurance* that the financial statements are fairly presented.

The definition of the term "*reasonable assurance*" has been changed by GAO to a *"High, but not absolute, level of assurance is expressed as obtaining reasonable assurance about whether the financial statements are free of material misstatement (whether caused by error or fraud)."* In addition, the Auditor prepares a report, issued in conjunction with the CAFR, on its consideration of the District's internal control over financial reporting and on its tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

U.S. Office of Management & Budget Single Audit

The District is required by the U.S. Office of Management & Budget (OMB) to conduct a financial and compliance audit of all federal awards. OMB Circular A-133 (Revised) outlines these requirements, and sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. This Circular is issued pursuant to the Single Audit Act Amendments of 1996, P.L. 104-156.

All required A-133 Single Audits through fiscal year 2007 have been completed and the District is in full compliance with the Single Audit Act. The results of the District-wide Single Audits are presented in a separate report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its comprehensive annual financial report for the fiscal year ended September 30, 2007. The District has received this award for twenty-four of the last twenty-six years. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for fiscal year ended September 30, 2007 for the fifth consecutive year. The PAFR was prepared and submitted by the District for the first time for FY 2003. The PAFR presents the District's financial results in a format and language that are intended to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the CAFR. It contains very few financial statements, and the use of graphics and photos is increased.

Both awards are valid for one fiscal year. The District believes that the FY 2008 CAFR continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate. The District also expects that the FY 2008 PAFR, which will be prepared within 30 days after the CAFR is completed, will conform to the Award for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgments

I would like to thank the hundreds of accounting and financial personnel throughout the District who have cooperated with the Office of Financial Operations and Systems all year. I greatly appreciate their efforts, which have continued to be an important factor in our preparation of this CAFR publication. Most of all, I want to thank my immediate staff, *Michael Covington, Larry Daniels, Vanessa Jackson, Bill Slack,* and their respective team members. I am grateful for their dedicated efforts. I would also like to thank the Office of the Inspector General, and the District's independent auditors, *BDO Seidman, LLP,* who was assisted by *Bert Smith and Company,* for their efforts throughout the audit engagement.

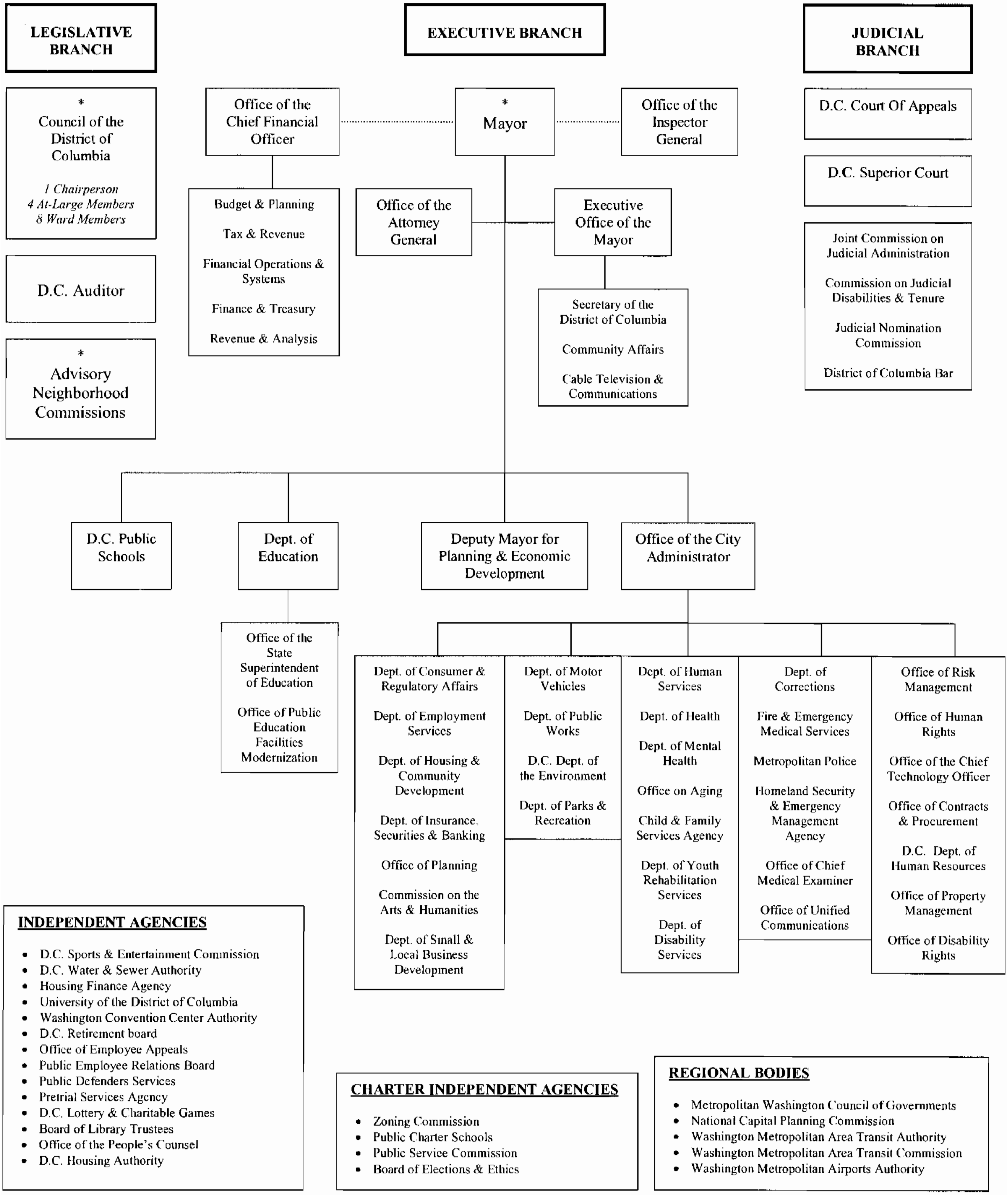
Respectfully submitted,

Anthony F. Pompa

Anthony F. Pompa
Deputy Chief Financial Officer
Financial Operations and Systems

DISTRICT OF COLUMBIA
PRINCIPAL OFFICIALS
September 30, 2008

Name	Position		First Took Office	Term Expires
		Chief Executive Officer		
Adrian M. Fenty	Mayor		2007	2011
		Council		
Vincent C. Gray	Chairman		2007	2011
Carol Schwartz	At Large		1997	2009
David A. Catania	At Large		1997	2011
Phil Mendelson	At Large		1999	2011
Kwame R. Brown	At Large		2005	2009
Jim Graham	Ward 1		1999	2011
Jack Evans	Ward 2		1991	2009
Mary C. Cheh	Ward 3		2007	2011
Muriel Bowser	Ward 4	*Won May 1, 2007 Special Election*	2007	2009
Harry Thomas, Jr.	Ward 5		2007	2011
Tommy Wells	Ward 6		2007	2011
Yvette M. Alexander	Ward 7	*Won May 1, 2007 Special Election*	2007	2009
Marion Barry Jr.	Ward 8		2005	2009
		House of Representatives		
Eleanor Holmes Norton	Delegate		1991	2009
		Executive Officers		
Dan Tangherlini	City Administrator			
Natwar M. Gandhi	Chief Financial Officer			
Peter Nickles	Attorney General			
Carrie Brooks	Chief of Staff			
Victor Reinoso	Deputy Mayor for Education			
Neil O. Albert	Deputy Mayor for Planning and Economic Development			
Stephanie D. Scott, PhD	Secretary of the District of Columbia			
Michelle Rhee	Chancellor for D.C. Public Schools			
Charles J. Willoughby	Inspector General			
Gordan McDonald	Deputy CFO, Budget and Planning			
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems			
Lasana K. Mack	Deputy CFO, Finance and Treasury			
Robert D. Ebel	Deputy CFO, Revenue Analysis			
Stephen Cordi	Deputy CFO, Tax and Revenue			
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation			
Tom Berger	Associate CFO, Education			
Mohamed Mohamed	Associate CFO, Governmental Operations			
George Dines	Associate CFO, Government Services			
Deloras A. Shepherd	Associate CFO, Human Support Services			
Angelique Hayes	Associate CFO, Public Safety and Justice			
Noah Wepman	Agency CFO, D.C. Public Schools			
Jeanette A. Michael	Executive Director, D.C. Lottery			



* Elected Officials

Certificate of Achievement for Excellence in Financial Reporting

Presented to

District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

CAFR 2008

Comprehensive Annual Financial Report

Year Ended September 30, 2008

Government of the District of Columbia
Office of the Chief Financial Officer

FINANCIAL SECTION

ECONOMIC GROWTH

PARKS AND MONUMENTS

PUBLIC SAFETY

CHILDREN AND YOUTH

INDEPENDENT AUDITORS' REPORT

BDO

BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue, NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

Independent Auditors' Report

To the Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2007 financial statements and, in our report dated March 31, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general and federal and private resources funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB) and GASB Statement No. 50, *Pension Disclosures*. GASB No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities/assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

BDO

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

Management's Discussion and Analysis on pages 23 through 43 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the other supplementary information as presented in the financial section, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements and schedules described as other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BDO Seidman, LLP

Washington, D.C.
January 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

(Dollar amounts expressed in thousands)

This Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the District of Columbia (the District) for the fiscal year ended September 30, 2008. This discussion and analysis should be read in conjunction with the basic financial statements and the related note disclosures. In addition, it is important to also read the Transmittal Letter, which begins on page 1, in conjunction with the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of three components:

(1) *Government-Wide Financial Statements* - Exhibit 1-a, *Statement of Net Assets,* and Exhibit 1-b, *Statement of Activities* on pages 46 and 47 respectively, present information about the financial activities of the District as a whole. These two statements provide an overall view of the District's finances.

(2) *Governmental Fund Financial Statements* - Exhibit 2-a, *Balance Sheet – Governmental Funds,* Exhibit 2-b, *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds,* Exhibit 2-c, *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities*, and Exhibit 2-d, *Budgetary Comparison Statement* on pages 48, 49, 50, and 51, respectively, show the District's financial position at the end of the fiscal year and how governmental activities were financed during the current year.

Proprietary Funds – Exhibit 3-a, *Statement of Net Assets*, Exhibit 3-b, *Statement of Revenues, Expenses, and Changes in Fund Net Assets* and Exhibit 3-c, *Statement of Cash Flows* on pages 52, 53 and 54 respectively, show the changes in financial position and condition of the District's two major proprietary funds, the D.C. Lottery & Charitable Games Board and the Unemployment Compensation Fund, and its one non-major proprietary fund-Nursing Home Services. Proprietary funds account for the activities of District entities that charge customers fees for services provided.

Fiduciary Funds – Exhibit 4-a, *Statement of Fiduciary Net Assets* and Exhibit 4-b, *Statement of Changes in Fiduciary Net Assets* on pages 55 and 56 report activities for which the District acts exclusively as a trustee or agent for the benefit of entities or individuals external to the government.

Discretely Presented Component Units - The District currently has five (5) component units. The financial data of the component units are reported separately from the financial data of the primary government: Exhibit 5-a, *Discretely Presented Component Units Combining Statement of Net Assets* on page 57 and Exhibit 5-b, *Discretely Presented Component Units Combining Statement of Activities* on page 58.

(3) *Notes To The Basic Financial Statements* - Present additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, and can be found on pages 59 through 118.

FINANCIAL HIGHLIGHTS

- In the government-wide analysis, assets exceeded liabilities, resulting in total net assets of $2,961,335. The total net assets consists of *net assets invested in capital assets, net of related debt* of $1,811,026, *restricted net assets* of $1,530,495, and an *unrestricted net deficit* of $(380,186). The total government-wide net assets included $2,545,533 generated by governmental activities and $415,802 generated by business-type activities.

- There was a decrease of $(16,398) over the previous year in the government-wide total net assets. This decrease is attributable to a $950,049 increase in total assets, which was offset by an increase in total liabilities of $966,447. (See Table 1, *Net Assets as of September 30, 2008* on page 27).

- The governmental funds reported a combined fund balance of $2,339,756 which was a decrease of $(449,824) over the previous year. The fund balance of the General Fund was $1,244,722 or 53.2% of the combined fund balances, and represented a decrease of $(249,278) over the previous year.

- $957,977 of the General Fund's fund balance is reserved for specific purposes: $330,238 is legally set aside for emergencies and contingencies, and $209,496 for bond escrow, with $418,243 reserved for other purposes. $286,745 of the General Fund's fund balance is unreserved with $200,020 designated for specific purposes leaving $86,725 undesignated.

- Total long-term debt related to notes and bonds increased by $435,086, or 7.9%. There was a net increase of $ 452,385 in general obligation debt and a decrease of $(17,299) in other debt. (Table 4, *Outstanding Bonds and Notes at September 30, 2008*, page 36).

NEW GASB PRONOUNCEMENTS

The mission of the Governmental Accounting Standards Board (GASB) is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports. GASB is the authoritative body that sets accounting and financial reporting standards for state and local governments.

GASB Statement No. 45

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related assets and liabilities, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers.

The District implemented this Statement in FY 2008, as required.

GASB Statement No. 48

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* Governments sometimes exchange an interest in their expected cash flows from specific receivables or specific revenues, for immediate cash payments – generally, a single lump sum. This Statement establishes criteria that governments will use to ascertain whether the proceeds should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenue, including residual interests and recourse provisions. The requirements in this Statement improve financial reporting by establishing measurement, recognition, and disclosure requirements that apply to both governmental and business-type activities.

The District implemented this Statement in FY 2008, as required.

GASB Statement No. 49

On December 1, 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement identifies the circumstances under which a government would have to estimate its expected outlays for pollution remediation, if it knows that a site is polluted. This Statement also requires state and local governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements.

GASB Statement No. 49 became effective for fiscal years beginning after December 15, 2007, the District's FY 2009.

GASB Statement No. 50

In May 2007, GASB issued Statement No. 50, *Pension Disclosures.* This Statement provides new guidance and modifies the note and required supplementary information (RSI) regarding pensions. The changes in pension disclosures include a requirement to present a schedule of funding progress as RSI even when a government uses the aggregate actuarial cost method.

GASB Statement No. 50 became effective for fiscal years beginning after June 15, 2007, the District's FY 2008. This Statement was implemented in FY 2008, as required.

GASB Statement No. 51

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that intangible assets possess the following characteristics: (1) lack of physical substance, (2) be non-financial in character, and (3) have an initial useful life extending beyond a single reporting period. The Statement further provides that recognition of intangible assets is only appropriate when they are either separable (e.g. can be sold, transferred, or licensed) or represent contractual or other legal rights, regardless of transferability or separability.

GASB Statement No. 51 becomes effective for fiscal years beginning after June 15, 2009, the District's FY 2010. The District plans early implementation of this Statement.

GASB Statement No. 52

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estates Held as Investments by Endowments*. This Statement requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 52 becomes effective for fiscal years beginning after June 15, 2008, the District's FY 2009. The District plans implementation of this Statement in FY 2009.

GASB Statement No. 53

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*. This statement requires governments to measure most derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Changes in fair value for effective hedges have to be recognized in the reporting period when they occurred.

GASB Statement No. 53 becomes effective for fiscal years beginning after June 15, 2009, the District's FY 2010. The District is reviewing the requirements for implementing this Statement, and may early implement it in FY 2009.

THE DISTRICT'S FINANCIAL CONDITION

The District government's financial responsibility and performance can be measured in various ways. Below are some of the indicators of the District's improved financial position and condition:

- The total expenditures for the District were again within budget.
- The General Fund ended the year with a budgetary surplus of $191,370. After deducting the use of fund balance released from restrictions and other adjustments required by generally accepted accounting principles (GAAP), the non-budgetary or GAAP deficit was $(249,278).
- The accumulated General Fund fund balance at September 30, 2008 was $1,244,722.
- The required legal debt limitation allows the District to use up to 17.0% of its total revenues for debt service in FY 2008. However, the District's debt service cost was only 7.5% of total revenues, or about 43.0% of the legal limit.
- The District continues to allocate large amounts of funds for infrastructure assets.

Reporting the District as a Whole (Government-Wide Financial Statements)

The District, as a whole, reports all assets and liabilities using the *accrual basis of accounting*. This method of reporting is similar to the accounting method used by most private-sector companies. Under this basis of accounting, all of the current year's financial activities are taken into account regardless of when cash is received or paid. The governmental activities and business-type activities are presented in two separate columns and combined to show totals for the primary government. The *Statement of Net Assets* and the *Statement of Activities* are two statements that present information and activities that help the reader determine the overall financial condition of the District.

The District's current financial resources (short-term disposable resources) are reported along with capital assets and long-term obligations in the *Statement of Net Assets*. The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. This statement distinguishes between governmental activities, business-type activities and component units' activities.

The total net assets is the sum of three components: 1) *net assets invested in capital assets, net of related debt, 2) restricted net assets,* and *3) unrestricted net assets.* Over time and accounting periods, changes in the District's net assets are indicators of its financial health. However, changes in population, property tax base, infrastructure condition and other non-financial factors must also be considered in assessing the overall financial health of the District.

The *Statement of Activities* presents information showing how the government's net assets changed from the last fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement also include items that will only result in cash flows in future fiscal periods, (for example, uncollected taxes and earned but unused vacation leave).

The *Statement of Activities* summarizes both the gross and net cost of the governmental activities and business-type 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, including depreciation. Program/functional expenses are reduced by program specific earned revenues, and by grants, that reduce net expenses for governmental and business-type activities. The District's general revenues (property, sales, income and franchise taxes) offset remaining costs, resulting in an increase or decrease in net assets.

Fund balances in the governmental fund financial statements will generally differ from net assets in the governmental activities of the government-wide financial statements due to the measurement focus and basis of accounting used in the respective financial statements.

- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.

- The government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.

Financial Analysis of the Government as a Whole (Government-Wide Financial Statements)

In fiscal year 2008, the combined total net assets decreased by $(16,398). This decrease is the combination of a governmental activities decrease of $(13,795) and a business-type activities decrease of $(2,603). See Table 2, *Change in Net Assets as of September 30, 2008*, on page 28.

Restricted net assets are assets that are subject to use-constraints that 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 by enabling legislation. In FY 2008, total restricted net assets decreased by $(114,361), or -6.95%, consisting of a decrease of $(113,495), or -8.94%, from governmental activities, and a decrease of $(866), or -0.23% from business-type activities.

The Lottery and Charitable Games Control Board, an enterprise fund of the primary government, transfers substantially all of its net income to the District at the end of each fiscal year. In fiscal year 2008, the transfer was $70,300, which was a $4,924 increase from last year. Please see Exhibit 3-b, *Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds*, on page 53.

The negative unrestricted net asset amount of $(404,959) for governmental activities for FY 2008 was caused mainly by the additional use of current resources to finance capital projects, a significant absorption of Medicaid disallowances and receivable write-off, and the use of available net assets to finance operations. This amount is combined with the unrestricted net assets for business-type activities of $24,773; resulting in negative total unrestricted net assets for FY 2008 of $(380,186).

The governmental activities total net assets of $2,545,533 in FY 2008 represent a decrease of $(13,795) from FY 2007. The net decrease was composed primarily of an increase of $597,004 in invested in capital assets, net of related debt, a decrease of $(113,495) for other restricted net assets, and a decrease of $(497,304) in unrestricted net assets.

Table 1 - Net Assets as of September 30, 2008

	Governmental activities		Business-type activities		Totals	
	2008	**2007**	**2008**	**2007 Restated**	**2008**	**2007 Restated**
Current and other assets	$ 4,016,319	$ 4,181,473	$ 501,051	$ 489,123	$ 4,517,370	$ 4,670,596
Capital assets	7,243,637	6,139,898	16,747	17,211	7,260,384	6,157,109
Total assets	11,259,956	10,321,371	517,798	506,334	11,777,754	10,827,705
Long-term liabilities	7,128,989	6,416,109	41,379	46,725	7,170,368	6,462,834
Other liabilities	1,585,434	1,345,934	60,617	41,204	1,646,051	1,387,138
Total Liabilities	8,714,423	7,762,043	101,996	87,929	8,816,419	7,849,972
Net assets:						
Invested in capital assets, net of related debt	1,794,279	1,197,275	16,747	17,211	1,811,026	1,214,486
Restricted	1,156,213	1,269,708	374,282	375,148	1,530,495	1,644,856
Unrestricted	(404,959)	92,345	24,773	26,046	(380,186)	118,391
Total net assets	**$ 2,545,533**	**$ 2,559,328**	**$ 415,802**	**$ 418,405**	**$ 2,961,335**	**$ 2,977,733**

Table 2 - Change in Net Assets for the year ended September 30, 2008

		Governmental activities		Business-type activities		Total		
		2008	2007	2008	2007 Restated	2008	2007 Restated	Variance
Revenues:								
Program revenues:								
Charges for services	$	379,149	$ 334,977	$ 290,156	$ 288,673	$ 669,305	$ 623,650	$ 45,655
Operating grants and contributions		2,178,275	2,309,495	21,191	18,358	2,199,466	2,327,853	(128,387)
Capital grants and contributions		175,841	130,557	-	-	175,841	130,557	45,284
General revenues:							-	
Property taxes		1,787,365	1,545,325	-	-	1,787,365	1,545,325	242,040
Income and franchise taxes		1,755,894	1,736,361	-	-	1,755,894	1,736,361	19,533
Sales and use taxes		1,101,859	1,056,780	-	-	1,101,859	1,056,780	45,079
Other taxes		716,274	800,966	92,733	90,117	809,007	891,083	(82,076)
Non tax revenues		554,316	580,845	37,672	21,936	591,988	602,781	(10,793)
Total revenues		**8,648,973**	**8,495,306**	**441,752**	**419,084**	**9,090,725**	**8,914,390**	**176,335**
Expenses:								
Governmental direction and support		834,694	787,392	-	-	834,694	787,392	47,302
Economic development and regulation		499,644	509,874	-	-	499,644	509,874	(10,230)
Public safety and justice		1,384,517	1,264,715	-	-	1,384,517	1,264,715	119,802
Public education system		1,787,635	1,589,652	-	-	1,787,635	1,589,652	197,983
Human support services		3,285,325	2,992,805	-	-	3,285,325	2,992,805	292,520
Public works		586,649	481,702	-	-	586,649	481,702	104,947
Public transportation		214,905	198,484	-	-	214,905	198,484	16,421
Interest on long-term debt		293,339	281,918	-	-	293,339	281,918	11,421
Lottery and games		-	-	182,981	192,336	182,981	192,336	(9,355)
Unemployment compensation		-	-	150,237	99,920	150,237	99,920	50,317
Nursing home services		-	-	40,837	37,490	40,837	37,490	3,347
Total expenses		**8,886,708**	**8,106,542**	**374,055**	**329,746**	**9,260,763**	**8,436,288**	**824,475**
Special item		153,640	(8,838)	-	-	153,640	(8,838)	162,478
Transfer from lottery and games		70,300	65,376	(70,300)	(65,376)	-	-	-
Change in net assets		(13,795)	445,302	(2,603)	23,962	(16,398)	469,264	(485,662)
Net assets - Oct 1 Restated		2,559,328	2,114,026	418,405	394,443	2,977,733	2,508,469	469,264
Net assets - Sept 30	$	**2,545,533**	$ **2,559,328**	$ **415,802**	$ **418,405**	$ **2,961,335**	$ **2,977,733**	$ **(16,398)**

Please refer to Note 1.X – *Reconciliation of Government-Wide and Fund Financial Statements*, on pages 72-73, for additional information on the differences between the two bases of accounting that the District uses in this Report.

Chart 1 shows various sources of revenues. This chart is a visual presentation of the numbers that were presented in Table 2, *Change in Net Assets* for the year ended September 30, 2008 on page 28.

Chart 1 – Revenues by Source – Governmental Activities

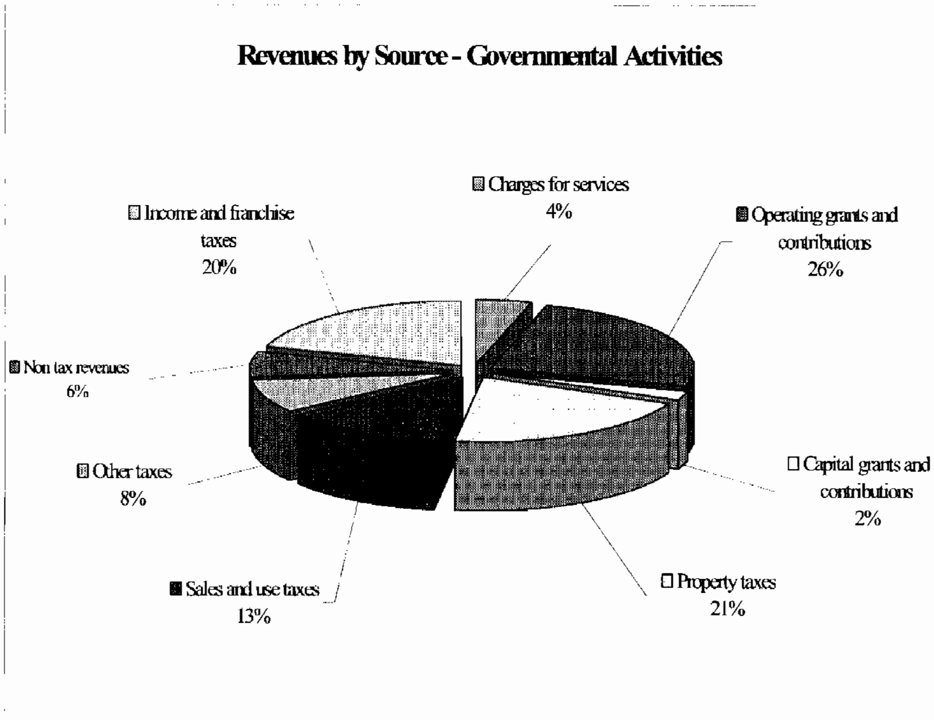
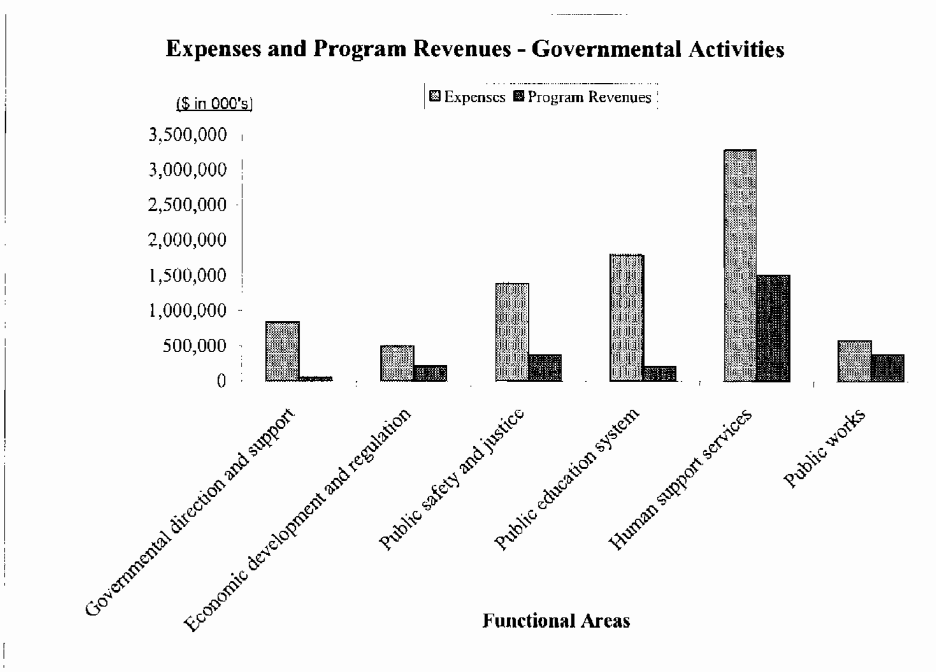


Chart 2 displays both expenses and program revenues of selected governmental activities for the fiscal year. The governmental activities that are shown are: governmental direction and support, economic development and regulation, public safety and justice, public education system, human support services and public works.

Chart 2 - Expenses and Program Revenues – Governmental Activities



Reporting on the District's Most Significant Funds

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the District uses to keep track of specific sources of funding and spending for a particular purpose. In accordance with District law, bond covenants, and other legal stipulations, funds are established for specific purposes and to report on the activities related to the goods and services that the District provides to the general public. The District's funds are presented in three categories or groups: governmental, enterprise, and fiduciary.

The focus of the fund financial statements' presentation is on major funds, and not on fund types. Major funds, as required by GAAP, are presented individually with nonmajor governmental funds combined in a single column. Detailed information for individual nonmajor governmental funds can be found in Other Supplementary Information, Exhibits B-1, *Nonmajor Governmental Funds Combining Balance Sheet* and B-2, *Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances*, pages 134 and 135.

Governmental Funds

The District's governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The governmental fund financial statements relate to the governmental activities column in the government-wide statements. The focus is on a shorter-term basis and measures how money flows into and out of these funds and determines the balances left at year-end for future spending.

Most basic services are found in this fund category, which are reported as General, Federal and Private Resources, General Capital Improvements, Baseball Capital Project, and Nonmajor Governmental Funds. These funds are reported using the *modified accrual basis of accounting*, which measures cash and other financial assets that can be readily converted into cash. Please refer to Exhibit 2-a, *Balance Sheet – Governmental Funds* and Exhibit 2-b, *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds*, pages 48 and 49, for more detailed information about these funds.

- **Fund Balances:** The governmental funds reported a combined fund balance of $2,339,756, a decrease of $(449,824) over the previous year. The components of this combined fund balance are as follows:

  - General Fund - $1,244,722, a decrease of $(249,278) over the previous year.
  - Federal and private resources - $83,794 , a decrease of $(50,455) over the previous year.
  - General capital improvements - $586,934 , a decrease of $(116,829)over the previous year.
  - Baseball capital project - $19,602, a decrease of $(93,440) over the previous year.
  - Nonmajor governmental funds - $404,704, an increase of $60,178 over the previous year.

- **Revenues:** The collection of taxes and other revenues increased in FY 2008 despite the decline in the U.S. economy. Revenues of the governmental funds increased by $130,259. Property taxes showed an increase of $207,191, while other taxes and charges for services showed moderate increases. Commercial retail and office space growth continued, although new construction has slowed, due to the recession, and commercial vacancy rates remained amongst the lowest in the nation.

  The primary sources of the increases in General Fund tax revenues are:

  - Property taxes increased by $207,191.
  - Sales and use tax increased by $45,079.
  - Income and franchise taxes increased by $19,533.

  The increase in real property tax revenue in FY 2008 reflects the strength of the D.C. real estate market in the previous two years, because there is a two-year lag between the time when real property value is assessed and when the revenue from the increased assessment is realized. As the demand for residential and commercial real estate has soared in the last several years, prices have climbed steeply and the result has been higher assessments and increased tax revenue, despite several rounds of tax relief for the residential sector. The slowdown in both the national and Washington, D.C. economy will place pressure on FY 2009 tax collections as economic activity is affected.

On the residential side, longer commuting times, for non-resident employees, have made Washington, D.C. a more attractive place to live. The growth in the wages and salaries of residents contributed to the increase in individual income tax revenue. The increase in the sales and use tax was due to increased retail and hospitality sales, a result of increased individual income and the growth in the number of conventions and visitors. Many condominium projects that were recently completed have converted to apartment rentals and leases, as property values have declined and financing has become more difficult to obtain.

The rise in individual income tax revenue has slowed considerably from prior years, reflecting the effects of the recession, and its impact on wages and investment returns. This suggests that the next few years will see only moderate growth in returns from the financial markets that, in the previous years, was the main driver of the continued growth in the individual income tax.

Dedicated Revenues

Every year, some portion of various District revenue streams are dedicated to certain purposes. The dedicated portion of the tax revenues is transferred out of the local fund, and is thus not available for general budgeting. In FY 2008, the District transferred a total of $452,656 in tax revenues out of the local fund budget to fund the projects in Tables 3a and 3b, on this page. There was a total gross collection of $2,752,818 of tax revenue, subject to dedicated purposes, of which, $223,684 was transferred, resulting in a net tax collection of $2,529,134, (Table 3a). There was a gross collection of budgetary dedicated taxes of $1,466,143, subject to dedicated purposes, of which, $228,972 was transferred, and resulting in a net tax collection of housing related taxes of $1,237,171, (Table 3b).

Table 3a – Dedicated Local Tax Revenues ($ in 000's)

Tax Revenue		**Dedicated Purpose (Transfer to)**					
Source	**Gross Collection**	**TIF**	**DDOT**	**Convention Center**	**Highway Trust Fund**	**Nursing Facility Quality of Care**	**Net Collection**
Real Property	$ 1,672,969	(6,654)					1,666,315
Public Space Rental	27,697		(27,697)				-
General Sales	1,015,182	(23,450)	(37,420)	(91,493)			862,819
Motor Fuel Tax	23,199				(23,199)		-
Healthcare Provider Tax	13,771					(13,771)	-
Total	**$ 2,752,818**	**(30,104)**	**(65,117)**	**(91,493)**	**(23,199)**	**(13,771)**	**2,529,134**

Table 3b – Dedicated Local Tax Revenues ($ in 000's)

		Budgetary Dedicated Tax Transfers						
Source	**Local Collection**	**Neighbor-hood Investment**	**Ballpark Fund**	**Nursing Facility Fund**	**School Modernization**	**HPTF**	**Mayor's Housing Fund**	**Available for General Fund use**
Personal Property	59,690	(10,000)						49,690
General Sales	862,819		(12,364)		(100,000)			750,455
Public Utility	178,532		(9,228)					169,304
Toll	65,741		(2,559)					63,182
Healthcare Provider	5,964			(5,964)				-
Baseball gross receipts	24,989		(24,989)					-
Deed Recordation	155,974					(23,853)	(13,819)	118,302
Deed Transfer	112,434					(16,736)	(9,460)	86,238
Total $	**1,466,143**	**(10,000)**	**(49,140)**	**(5,964)**	**(100,000)**	**(40,589)**	**(23,279)**	**1,237,171**

Source: Office of Tax and Revenue

- **Expenditures:** The District's expenditures increased in most of its program/functional areas in the total amount of $1,139,052 over the previous year. Increases by program or functional area were led by: governmental direction and support, $43,201; human support services, $247,158; the public education system, $175,507; public safety and justice, $128,223; economic development and regulation, $17,199; and public works, $87,040.

  The District spent $1,161,941 on general capital improvements which exceeded the general capital improvements revenues of $190,422 by $(971,519), resulting in the deficiency shown in the capital projects fund. The District's investments in capital improvements are based on need rather than available current year revenues, before considering current year bond proceeds. This deficiency was subsequently financed with a total of $854,690 of bond proceeds and other financing sources. The net change in the general capital improvements fund balance was a decrease of $(116,829).

  The District continues to invest in infrastructure and other improvements to encourage residents and businesses to stay in the District and to attract new residents and businesses to the District. Listed below are ten infrastructure projects undertaken in FY 2008, by costs incurred:

1)	Street Repairs & Maintenance, Equipment & Technical Improvement	$17,718
2)	Asset Preservation in Tunnels	$12,167
3)	Ward 5 Road Resurfacing/Reconstruction/Upgrades	$12,133
4)	Traffic Signal Maintenance	$11,038
5)	Benning Road – 16th Street to Oklahoma	$10,671
6)	Pavement Restoration National Highway System	$10,158
7)	Reconstruction Kenilworth Avenue/NH Burroughs Roadways	$ 7,204
8)	Streetlight Asset Management	$ 6,674
9)	South Capital Street Bridge over Anacostia River	$ 6,465
10)	Reconstruction Kenilworth Avenue Bridge	$ 5,270

It is the District's financial policy to issue general obligation bonds to support the expenditures associated with its Capital Improvements Program. In order to minimize the cost of carrying debt, the District has instituted the practice of issuing bonds based on actual expenditures, in some cases, as well as based on the annual amount budgeted. In practice, agencies are authorized to spend their annual appropriated capital budget in advance of financing. The General Fund advances the amount of the funding, and is repaid with the proceeds from the bonds when issued. This allows the District to determine when it will enter the market to issue bonds, based upon cash flow needs, favorable market rates and the total amount of municipal debt financing and the types of credits that are available. This flexibility helps to minimize borrowing costs and maximize the pool of potential investors for the District's debt issuances.

Proprietary Funds

Proprietary funds account for activities of District entities that charge customers fees for services provided, whether to outside customers or to other entities of the District. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The District currently has two major Proprietary Funds: the D.C. Lottery & Charitable Games Board (Lottery), and the Unemployment Compensation Fund (Unemployment). There is one nonmajor proprietary fund, Nursing Home Services, which includes the operations of the Washington Center for Aging Services, the Washington Center for Aging Services Center Care, and the JB Johnson Nursing Center. See *Chart 3, Expenses and Program Revenues – Business-Type Activities* and *Chart 4, Revenues by Source – Business-Type Activities*, both on page 33, which give a visual comparative presentation of the revenues and expenses of the three funds.

The total assets for Lottery decreased by $(5,177), or -8.4%, over the previous year due to scheduled disbursements to long-term prize winners. The total assets for Unemployment increased by $16,791, or 4.1%, due to higher tax collections from employers. The net cash provided by (used in) operating activities for Lottery, Unemployment and non-major proprietary funds (Nursing Services) were $68,602, $(17,892), and $(4,344) respectively. See Exhibit 3-a, *Statement of Net Assets – Proprietary Funds*, Exhibit 3-b, *Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds*, and Exhibit 3-c, *Statement of Cash Flows – Proprietary Funds*, on pages 52, 53 and 54 respectively for more detailed information.

Proprietary entities provide goods and services to the general public and use the *full accrual accounting* method for reporting purposes.

Charts 3 and **4** are graphic comparisons based on financial information in *Exhibit 3b, Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds, for the year ended September 30, 2008* on page 53.

Chart 3 – Expenses and Program Revenues – Business-type Activities, by Component

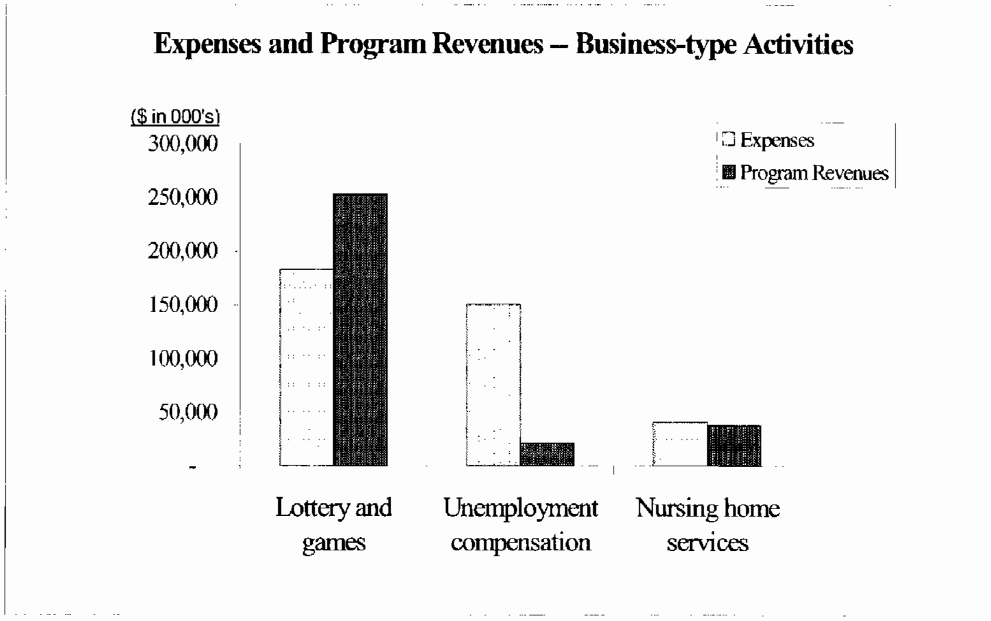
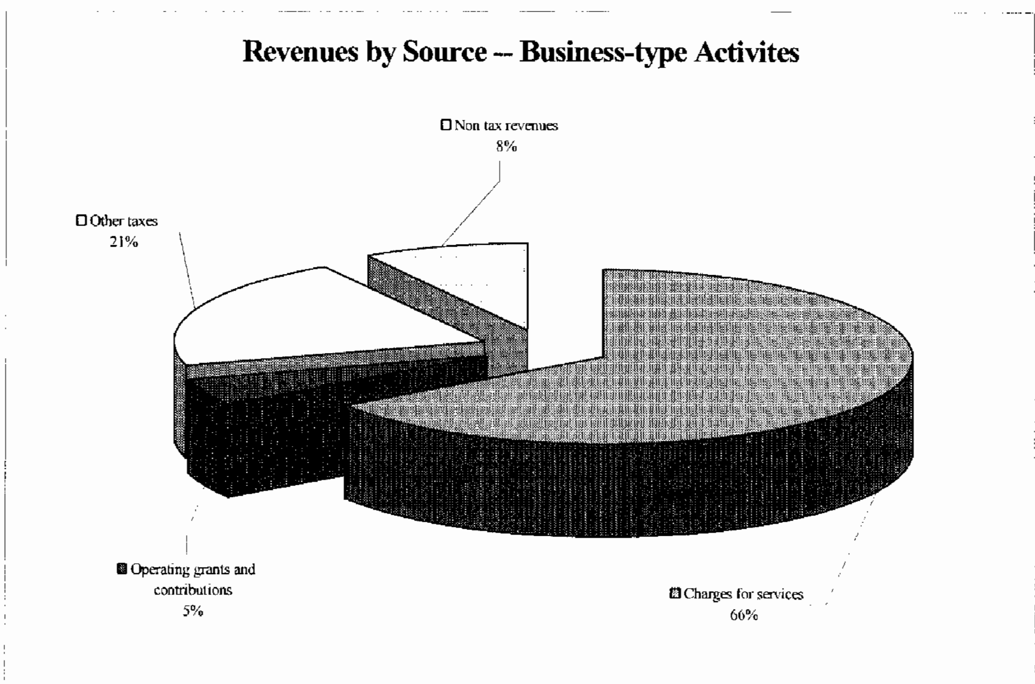


Chart 4 – Revenues by Source – Business-type Activities, Consolidated



Fiduciary Funds

The *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. The District is the *trustee* or *fiduciary* for its employees' pension plans and other post employment benefits. All fiduciary activities are reported in Exhibit 4-a, *Statement of Fiduciary Net Assets* and Exhibit 4-b, *Statement of Changes in Fiduciary Net Assets* on pages 55 and 56, respectively. Please also refer to Exhibit C-1, *Pension Trust Funds – Combining Statement of Fiduciary Net Assets*, Exhibit C-2, *Pension Trust Funds – Combining Statement of Changes in Fiduciary Net Assets* on pages 138 and 139 respectively, for more details. These activities are excluded from the District's governmental and business-type activities because these resources are restricted and are not available to support the District's operations.

Private-purpose trust funds are used to report any trust arrangement not reported in pension funds or investment trust funds under which principal and income benefit individuals, private organizations, or other governments. The District offers a tax-advantaged 529 College Savings Investment Plan (named after Section 529 of the Internal Revenue Code). The Plan is designed to help families save for the higher education expenses of designated beneficiaries. This plan is reported in the Private-purpose trust fund, and was established during FY 2003. Please see Note 1-E, *Basis of Presentation - Fiduciary Funds – Private Purpose Trust Fund* on page 63.

The net assets of the pension/OPEB trust funds decreased by $(581,389). Decreases in stock prices, and net investment income reductions are the primary reasons for the decreases. These decreases resulted from the precipitous decline in U.S. equity and non-U.S. equity markets during 2008.

Component Units

The District currently has five (5) discretely presented component units: (1) Housing Finance Agency; (2) DC Sports and Entertainment Commission; (3) University of the District of Columbia; (4) Washington Convention Center Authority; and (5) DC Water and Sewer Authority. Component units are legally separate organizations for which the District is financially accountable. Accountability exists because the Mayor, with the consent of the Council, appoints the governing bodies of all of the component units. In addition, the District has an obligation to provide financial support to the Convention Center, and the University of the District of Columbia. Certain tax revenues are dedicated to each of these organizations. The financial data of the component units are reported separately from the financial data of the primary government.

The District also has one blended component unit: Tobacco Settlement Financing Corporation (Tobacco Corporation). The Tobacco Corporation is a blended component unit because it provides services exclusively to the District.

Each of the component units prepares its own independently audited financial statements, which are accompanied by their respective MD&A. Please see Exhibit 5a, *Discretely Presented Component Units - Combining Statement of Net Assets,* page 57, and Exhibit 5b, *Discretely Presented Component Units - Combining Statement of Activities,* page 58, for more detailed financial information on the component units.

Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. This need occurs due to the timing variance between the receipt of taxes, grants and other revenues and the outflow of funds for governmental operations and required disbursements. The District issued $300,000 in Tax Revenue Anticipation Notes (TRANs) on December 12, 2007, at an interest rate of 4.00%, priced to yield 3.13%, which has been repaid. 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. The FY 2008 TRANs were repaid on September 30, 2008.

Long-Term Debt and Bond Ratings

On December 19, 2007, the District issued its Series 2007C General Obligation Bonds in the principal amount of $333,840. The proceeds of these bonds will be used to finance capital project expenditures and to pay the costs and expenses of issuing and delivering the bonds. The 2007C bonds, together with other outstanding general obligation bonds and bonds to be issued in the future, are general obligations of the District, secured by the District's full faith and credit. These bonds are further secured by a security interest and liens on the funds derived from a Special Property Tax and are issued under Section 461 of the Home Rule Act. The 2007C bonds were issued as fixed-rate bonds with a weighted average interest rate yield of 4.47%. The maturity of the 2007C bonds is June 1, 2033.

On August 27, 2008, the District issued its Series 2008E General Obligation Bonds in the principal amount of $327,905. The proceeds of the bonds will be used to finance capital project expenditures in the District's capital improvements program and to pay the costs and expenses of issuing and delivering the bonds. The 2008E Bonds, together with the District's outstanding general obligation bonds, are secured by the District's full faith and credit and the Special Real Property Tax, and are issued under Section 461 of the Home Rule Act. The 2008E Bonds were issued as fixed-rate bonds with a yield ranging from 2.0% to 5.02%. The maturity of the 2008E Bonds is June 1, 2033.

On May 21, 2008, the District issued $524,280 in Series 2008A, 2008B, 2008C and 2008D General Obligation Refunding Bonds (Variable Rate Demand Obligations (VRDO)) with a weighted average interest rate yield of 4.22%, assuming a 3.5% average variable rate in the future plus LOC fees, to refund $521,025 of outstanding, 2002A 1 and 2, 2002B 1 and 2, and 2004C 1, 2 and 3 General Obligation Bonds with weekly variable interest rates. The general obligation bonds were issued at par and after paying issuance costs of $3,255, the net proceeds were $521,025.

On August 27, 2008, the District issued $151,615 in Series 2008F General Obligation Refunding Bonds with a weighted average interest rate yield of 4.48% to advance refund $150,585 of outstanding 1998A and 1998B Bonds with an average coupon yield of 5.23%. The general obligation bonds were issued at par plus a premium of $5,705 and after paying issuance costs of $2,960, the net proceeds were $154,360.

In May 2007, Moody's Investors Service upgraded the District's general obligation bond rating to "A1" from "A2 (Positive Outlook)". Standard & Poor's maintained the District's general obligation bond rating of "A+" where it has been since it was upgraded from "A" in November 2005. In May 2007, Fitch Ratings upgraded the District's bond rating from "A (Positive Outlook)" to "A+." Each time the District issues new debt, the current debt rating is reviewed for the new issuance. At that time, the bond rating agencies assess the District's financial condition, and underlying credit worthiness, and change their rating as warranted.

The significantly improved bond ratings allow the District to either refinance (refund) outstanding debt, or to issue new debt, at more favorable rates. In the past, the District's financial and operational difficulties required it to pay substantially higher interest rates on its debt. The District's financial advisors estimate that the effect of the upgrades on the District's recent general obligation bond sale was a savings of approximately 5 basis points, or $200,000 per year. A basis point is one-percent of a percentage point of interest, or 0.01%. Lower interest rates translate into reduced debt service payments, resulting in a greater percentage of the District's budget being available for the services and operations needed for its citizens.

At September 30, 2008 the District had a total of $5,950,794 in long-term bonds, TIF Bonds, Ballpark bonds, Qualified Zone Academy Bonds (QZAB), and Tobacco Bonds outstanding. Please refer to Table 4, *Outstanding Bonds at September 30, 2008*. This is an increase of $435,086 over last year. General obligation bonds represent 77.2% of the District's outstanding long-term debt. TIF bonds, Ballpark bonds, and QZAB represent 10.6% and Tobacco bonds outstanding represent 12.2% of outstanding long-term debt. In FY 2006, the District issued $534,800 in Ballpark Bonds to finance the new baseball stadium, of which $526,415 remains outstanding, or 8.9% of the District's outstanding long-term debt. The District's borrowing has been increasing over the past few years because of the continuing need and demand for improvements in infrastructure, such as roads, streets, and bridges. (Please see *Note 8. Long-Term Liabilities*, pages 92-106 for a more detailed discussion).

The general obligation debt per capita (D.C. resident) as of September 30, 2008 was $7,760. This represents an increase of $717, or 10.2% over last year. The increase is due to the District's issuance of additional general obligation debt, refunding of outstanding debt, and population increases. The debt per capita figure that was given in the FY 2007 CAFR does not correspond to the figure given in this year's CAFR for FY 2007 because of adjustments in population estimates for Washington, D.C. Please refer to Exhibit S-3A, *Ratios of General Obligation Bonds Outstanding – Last Ten Fiscal Years* on page 166.

Table 4 – Outstanding Bonds at September 30, 2008

Long-Term Debt ($ in 000's)						
		2008		2007		Variance
General Obligation Bonds	$	4,592,518	$	4,140,133	$	452,385
Ballpark Bonds		526,415		528,490		(2,075)
TIF Bonds		100,664		105,229		(4,565)
Qualified Zone Academy Bonds		6,713		4,787		1,926
Tobacco Bonds		724,484		737,069		(12,585)
Total	**$**	**5,950,794**	**$**	**5,515,708**	**$**	**435,086**

Capital Assets

Net capital assets of the governmental activities totaled $7,243,637, while the net capital assets in business-type activities totaled $16,747, for a total of $7,260,384 net capital assets at September 30, 2008. These capital assets include, but are not limited to, land, buildings, police and fire equipment, office equipment, park facilities, roads and bridges. The governmental activities depreciation charges for the current fiscal year totaled $272,830 compared to last year's $260,821. The general capital improvements fund is used to account for the purchase or construction of capital assets financed by transfers, capital grants, and or debt. Please see Table 5, *Net Capital Assets*, below for more details.

Total capital assets increased by $1,103,275 or 17.9%, over last year. This increase was made up of an increase in governmental activities capital assets of $1,103,739 or 18.0% and a decrease in capital assets from business-type activities of $(464), or -2.7%. Total overall capital assets are increasing because the District is investing more resources in new and existing rehabilitated infrastructure, such as roads, streets, and bridges. The cost of these assets is being funded primarily by the issuance of debt, and the use of General Fund fund balance. Please see Note 5 - *Capital Assets* for a more complete discussion of the District's capital assets, on pages 86-90.

Table 5 – Net Capital Assets as of September 30, 2008

Asset Category	Governmental Activities				Business-type Activities				Total			
		2008		2007		2008		2007		2008		2007
Land	$	311,388	$	219,920	$	1,264	$	1,264	$	312,652	$	221,184
Buildings		2,591,551		1,679,673		13,061		13,402		2,604,612		1,693,075
Infrastructure		2,020,490		1,884,395		-		-		2,020,490		1,884,395
Equipment		486,163		503,148		2,422		2,545		488,585		505,693
Construction in progress		1,834,045		1,852,762		-		-		1,834,045		1,852,762
Total net capital assets	$	**7,243,637**	$	**6,139,898**	$	**16,747**	$	**17,211**	$	**7,260,384**	$	**6,157,109**

REPORTING THE DISTRICT'S BUDGET

The District's budget is subject to revision and/or veto by the United States Congress and the President of the United States. As the budget moves through the federal budgetary process, there may be changes in both the amounts and the purposes. In addition, when the District's CFO prepares revised revenue estimates, the budget submission must be adjusted to conform to those revisions. During the Congressional review of the FY 2008 budget, the CFO's revised estimates caused the District to revise its budget submission, before the budget was finally approved. Both federal and District laws require that the District present a balanced budget.

General Fund Budget

The original formulation of the General Fund budget estimated total revenues and other sources at $6,325,114 and total expenditures and other uses at $6,323,656. The revised General Fund budget, resulted in estimated total revenues and other sources of $ 6,570,921 and total expenditures and other uses of $6,557,782, resulting in a projected budgetary surplus of $13,139 . See Table 6, *Fiscal Year 2008 – General Fund Budgetary Highlights.*

Table 6 - Fiscal Year 2008 General Fund Budgetary Highlights

	Budget			Variance with
	Original	Revised	Actual	Revised Budget
Revenues and Other Sources:				
Property taxes	$ 1,656,002	$ 1,756,694	$ 1,726,005	$ (30,689)
Other taxes	3,339,498	3,333,396	3,380,958	47,562
Charges for services	332,361	338,546	385,856	47,310
Other sources (O type)	496,804	510,542	448,972	(61,570)
All other sources	500,449	631,743	568,983	(62,760)
Total revenues and other sources	6,325,114	6,570,921	6,510,774	(60,147)
Expenditures and Other Uses:				
Governmental direction and support	387,643	403,947	382,071	21,876
Economic development and regulation	441,141	520,106	438,769	81,337
Public safety and justice	1,036,664	1,055,862	1,044,463	11,399
Public education system	1,306,621	1,370,411	1,355,633	14,778
AY08 public education expenditures	-	91,829	91,829	-
Human support services	1,573,805	1,572,877	1,606,979	(34,102)
Public works	573,069	581,827	563,777	18,050
Other	1,004,713	960,923	835,883	125,040
Total expenditures and other uses	6,323,656	6,557,782	6,319,404	238,378
Excess -- budgetary basis	$ 1,458	$ 13,139	$ 191,370	$ 178,231

General Fund Budgetary Highlights – Original to Revised Budget

After the original budget has been submitted to the D.C. Council, the Chief Financial Officer updates the District's revenue estimates in June. The District then makes adjustments necessary to bring the expenditure budget into agreement with the revised revenue budget, which account for the differences between the Original General Fund budget and the Revised General Fund budget. Total estimated revenues were increased by $245,807 and total estimated expenditures were increased by $234,126. The projected General Fund budgetary basis surplus was increased from $1,458 to $13,139, as a result of the revisions. The major changes in the budget are summarized as follows:

Revenues and sources increased by a total of $245,807

- Property taxes were increased by $100,692.
- Other Taxes were decreased by $(6,102).
- Charges for Services increased by $6,185.
- Other sources (O Type) were increased by $13,738.
- All other sources were increased by $131,294.

Expenditures and uses increased by a total of $234,126

- Government direction and support was increased by $16,304.
- Economic Development and regulation expenditures were increased by $78,965.
- Public safety and justice expenditures were increased by $19,198.
- Public Education System expenditures were increased by $63,790.
- The advance of Appropriation Year 2008 budget in the amount of $91,829. for public education expenditures to ready the Charter and public schools for the new school year, which began prior to the District's fiscal year.
- Human support services expenditures were decreased by $(928).
- Public works expenditures were increased by $8,758.
- Other expenditures were decreased by $(43,790).

Variance Explanations

A variance can be defined as "*the difference between one thing and another.*" In this CAFR, variances are discussed and explanations are provided on the differences between the following: (1) the FY 2008 Original Budget and the FY 2008 Revised Budget; (2) the FY 2008 Revised Budget to the FY 2008 Actual Results, and; (3) the FY 2007 Actual Results to the FY 2008 Actual Results. The variance amounts are given for major categories, such as Property Tax, or for groupings of agencies, such as Government Direction and Support. In the case of Property Tax, there are no sub categories explained, but under Government Direction and Support, there are 23 categories, including agencies or accounts. The District is required to explain the reasons for the major revenue and agency grouping variances, but not for every agency or program variance, unless they are considered to be important. The primary reasons for these variances are explained in the following section.

FY 2008 Original Revenue Budget to FY 2008 Revised Revenue Budget

The $101 million (6%) increase in the revenue estimate for **real property tax** between the original and revised budget reflects adjustments that were made to the real property tax estimate based on an updated real property tax database that was only available after the original estimate was made. The increase in the estimate was mainly due to new construction.

The revenue estimate for the **general sales and use tax** was revised downwards by about $20 million (2%) as data on cash collections throughout the period between the original and revised estimate showed sales tax collections, reflecting the general slowdown in both the national and Washington, D.C. economies.

The revenue estimate for the **individual income tax** was adjusted upward by $61 million (5%) as data on revenue collections in the period between the original and revised estimates showed stronger than forecasted growth in non-withholding collections.

The revenue estimate for the **unincorporated business tax** (UB) was revised downward by $43 million (23%) as the real estate market deteriorated sharply in the period between the original and revised estimate (the bulk of the revenue from the unincorporated business tax comes from the real estate sector) and UB cash collections fell sharply.

The revenue estimate for **deed recordation tax** was lowered by a total of $67 million (35%) as a review of cash collections data showed that the financial crisis and the resulting credit squeeze was causing a sharp slowing in the D.C. real estate market.

The revenue estimate for the **estate tax** was increased by $34 million (108%) between the original and revised estimate as data on cash collections at the time of the revised estimate showed that revenue collections from this source was much stronger than anticipated. Revenue from estate tax is notoriously volatile because revenue flows depend on the number of deaths of persons with taxable estate in Washington, D.C. as well as the value of estates, which in turn is tied to the real estate market and the volatile financial market.

The revenue estimate for the **economic interests tax** was increased by $46 million (575%) between the original and revised estimate to be consistent with the much stronger than anticipated collections from this source after reviewing cash collections report data. Like the estate tax, receipts from the economic interests tax are very volatile because it depends on volume and value of transactions in the very volatile portfolio real estate investment markets (also known as real estate investment trusts or REITs).

FY 2008 Original Expenditure Budget to FY 2008 Revised Expenditure Budget

The $16,304 increase for governmental direction and support was caused primarily by $10,000 which was added for Section 103 Judgments. The District settled a lawsuit for $10,000, in regards to a proposed development of the Children's Island site, near to the RFK Stadium, in the Anacostia River.

The increase of $78,965 for Economic Development & Regulation was almost entirely caused by: (1) a $44,099 increase for the Department of Employment Services (DOES), and; (2) a $30,000 increase for the Housing Production Trust Fund Subsidy (HPTFS). The DOES increase was primarily caused by two items: (1) a $18,776 increase in the Contingency Cash Reserve, and; (2) a $10,000 reprogramming for the Summer Youth Program. The $30,000 HPTFS increase was entirely attributable to a supplemental appropriation of One-Time FY 2008 revenues.

The $19,198 increase for Public Safety & Justice came from three primary agencies: (1) $10,564 for Fire and Emergency Medical Services; (2) $5,277 for the Metropolitan Police Department, and: (3) $4,069 for the Office of Victim Services.

The $63,790 increase for the Public Education System was composed primarily of four major changes: (1) a $(88,092) decrease for Public Charter Schools (PCC); (2) an increase of $70,515 for the D.C. Public Schools (DCPS); (3) an increase of $46,994 for the Office of State Superintendent for Education (OSSE), and; (4) an increase of $29,118 for the Office of Public Education Facilities Modernization (OPEFM). The $70,515 increase for DCPS was caused primarily by two items: (1) a $25,088 increase for the workforce investment allocation, and; (2) a $23,700 increase for current facilities inefficiencies. The $46,994 OSSE increase was caused primarily by four factors: (1) the $41,142 transfer of the Early Care and Education Administration from the Department of Human Services to OSSE; (2) the Blackman Jones carry over of $11,160; (3) the Blackman Jones carry forward of $(17,756), and; (4) the increase of $9,600 by moving budget authority from FY 2007 to FY 2008. The OPEFM increase of $29,118 was caused almost entirely by the $26,018 transfer of all assets, personnel and funding associated with the maintenance of DCPS facilities, as required under the School Modernization Use of Funds Requirements Emergency Amendment Act of 2007, and the FY 2008 Supplemental Appropriations Emergency Act of 2007.

The $91,829 increase for AY 2009 Advance for Public Education represents the expenditure of the appropriations for AY 2009 in FY 2008. The FY 2007 D.C. Appropriations Act requires that the advance appropriations be provided on July 1, 2008, based on 10% and 25% of the FY 2009 Proposed Budgets for the D.C. Public Schools (DCPS) and the D.C. Public Charter Schools (DCCS), respectively. When Congress approves the District's budget for the current fiscal year, it does not know the proposed funding level for the next fiscal year. As such, the advance appropriations are not included in the District's Original Budget. The advance appropriations are not known until July 1, and are then made a part of the District's Revised Budget. This figure is composed of: (1) $88,215 for the AY09 Public Charter School Advance Appropriation and; (2) $3,614 for the AY09 Public School Advance Appropriations. In prior years, the entire AY School Advance Appropriations went to DCPS. This year, the majority of this funding went to DCCS, and DCPS received a small portion of the funding.

Human Support Services was reduced by $(928), which was caused primarily by: (1) a decrease of $(39,566) for the Department of Human Development (DHD), which was offset by; (2) an increase of $17,179 for the Department of Health; (3) an increase of $7,418 for Child and Family Services, and; (4) an increase of $6,781 for the Children Investment Trust. The decrease for DHD was caused by the $(41,142) transfer of the Early Care and Education Administration from the Department of Human Services to OSSE.

The $8,758 increase for Public Works was primarily the result of an increase of $8,042 for the Department of Transportation.

The $(43,790) decrease for Other was caused by: (1) an increase of $32,585 for Pay-Go Capital; (2) a $(19,155) decrease for Repayment of Loans and Interest; (3) a $(16,659) decrease for Non-Departmental; (4) a $(13,475) decrease in the Cash Reserve; (5) a $(10,784) decrease in Equipment Lease Operating; (6) a $(9,117) decrease in Workforce Investments, and; (7) a decrease of $(5,485) in Repayment of Interest on Short-Term Borrowing. Most of the amounts that make up these items were small to moderate, and, therefore, there were no major factors which accounted for these differences.

FY 2008 Revised Revenue Budget to FY 2008 Actual Revenue

Actual revenues and other sources were $(60,147) less than the revised budget. The primary reasons for these changes from the revised FY 2008 budget to the actual FY 2008 results are explained in the following section.

The negative variance of $13 million (-1%), for the **individual income tax,** is well within the standard 5% deviation. This variance is explained mainly by slower than anticipated growth in the withholding tax. This was offset somewhat by much slower than expected growth in refunds. The withholding tax comprises about 75% of the individual income tax, while refunds comprise just 17%. The slower than expected growth in the withholding tax therefore overwhelms any better than expected growth in the other components.

The large positive variance of $31.0 million (12%) of actual over budget for the FY 2008 **corporate franchise tax** revenue is mainly due to significantly lower refunds than the previous year. An analysis of the corporate franchise tax by components shows that while estimated payments and final payments grew roughly 4%, refunds fell sharply by 46%. An examination of corporate franchise tax refunds for the past 9-years shows that the FY 2007 level of $53 million was unusually high compared to FY 2008.

The large negative variance of $18 million (12%) for the **unincorporated business (UB) tax** to a large extent reflects the downturn of the real estate market because the UB tax is collected primarily from real estate businesses in the District. UB tax collections fell sharply in FY 2008 with the slowdown in the real estate market, a slowdown which was exacerbated by the financial crisis as the credit market for real estate dried up.

The positive variance of $25 million (16%) for **public utilities** and $9 million (16%) for **toll telecommunications** are higher than the variances for these taxes in past years. The variance for the toll telecommunications tax is almost certainly related to the exceptionally strong growth in the telecommunications sector, particularly the growth in revenue from data services (email, text messaging, and internet) with the deployment in recent years of mobile technologies such as smart phones. A possible explanation for the public utilities variance is that, as the price for gasoline grew, many people spent more time at home, using higher amounts of electricity and natural gas to light, heat and to cool their homes. But the stronger than expected performance could also be coming from new construction and growth in the Washington, D.C. population in recent years.

The positive variance of $32 million (26%) for the **deed recordation tax** and $12 million (11%) for the **deed transfer tax** reflect a very conservative estimate in the September revision of the revenue estimate after a marked deterioration in deed taxes collections over the summer. A conservative estimate seemed prudent given the uncertainty of revenue from real estate transactions amid a general slowdown in the real estate markets. The economic data at the time showed lower prices and a sharply lower volume of sales with no signs of an immediate turnaround.

FY 2008 Revised Expenditure Budget to Actual Expenditure

Total expenditures and other uses were $(238,378) less than the revised budget of $6,557,782. The term positive variance, when used for expenditures, means that less money was spent than was budgeted, resulting in more money left for other purposes, or a surplus, at the end of the fiscal year. Conversely, the term negative variance, when used for expenditures, means that more money was spent than was budgeted, resulting in less money for other purposes, or, potentially, a deficit at the end of the fiscal year. The primary reasons for these changes are explained in the following section.

Three agencies primarily accounted for the positive variance of $81,337 for Economic Development and Regulation: (1) a $40,520 variance for the Office of the Deputy Mayor for Planning and Economic Development (DMPED); (2) a $12,884 variance for the Department of Housing and Community Development (DHCD), and; (3) a $10,378 variance for the Department of Employment Services (DOES). The DMPED variance was the result of new economic development programs that were initiated by the District as a result of consolidating the operations of the National Capital Revitalization Corporation (NCRC) and the Anacostia Waterfront Corporation (AWC) into DMPED.

DMPED had a $32.5 million excess in unspent budget authority for possible sales dispositions that did not materialize. Three major factors contributed to the $12,884 variance for DHCD; policy restrictions on spending, reductions in revenue collections, and the repayment of Housing Purchase Assistance Program (HPAP) loans. In FY 2008, no funds were expended from the Land Acquisition and Housing Development Organization, Rehab Repay and Home Again programs. Regulations for these programs restricted how the funds could be used. Unspent funds in these three programs total $6,072, or 47% of the variance. The $10,378 variance for DOES was mainly the result of $4,300 associated with delaying updates to both the Unemployment Insurance and Workers Compensation information systems until FY 2009, and $2,600 for vacant position salary lapses in the Workers Compensation and Unemployment Programs.

The negative $(34,102) variance for Human Support Services (HSS) was caused partly by a Child and Family Services Administration (CFSA) increase in the Medicaid disallowance and receivable write-off of $82.9 million for FY 2004 – FY 2008. The remaining balance is due to increased costs for services to children in CFSA care. This was offset by a $34,671 reduction for the Department of Health (DOH). There were two main factors for the DOH variance: (1) $35,585 in subsidies and transfers were not spent, and; (2) a $26,293 write-off to local expenditures. The remaining difference is made up of a number of much smaller variances.

The positive variance in the Other category of $125,040 was primarily the result of $43,784 less being spent for Bond Fiscal Charges Paid From Bond Proceeds, and $36,525 that was budgeted for the Cash Reserve that was not used for that purpose.

FY 2007 Actual Revenue to FY 2008 Actual Revenue

In FY 2008 Total Actual Revenues and Other Sources of $6,510,774 increased by $723,623 from the FY 2007 Total Actual Revenues and Other Sources of $5,787,151. The primary reasons for this increase are explained below:

The $225 million (15%) FY 2008 increase in **real property tax** over the previous year reflects primarily a run up in the commercial real property tax market over the last several years. Although the commercial real estate market has since slowed from its 2005 peak, FY 2008 real property tax revenue is based on price appreciation that occurred in calendar year 2006, before the general real estate slowdown.

Sales and use tax collections were $1,015,182 in FY 2008 and $959,968 in FY 2007, an increase of $55 million, or 6%. However, dedicated transfers from the sales and use tax also rose to $22 million over last year, resulting in an increase of net collections of $35 million. Because of the general economic slowdown and lower consumer spending for 2008, the growth in sales tax for FY 2008 over FY 2007 is less than the robust growth of the previous year when it grew about 9%.

The $29 million (2%) growth in the FY 2008 **individual income tax** revenue over the previous year was slightly less than the forecasted growth of 3%. This slower than expected growth of individual income tax revenue was mainly due to slower than anticipated growth in withholding tax. This was offset somewhat by much slower than expected growth in refunds. The withholding tax comprises about 75% of the individual income tax, whereas refunds comprise just 17%. The slower than expected growth in the withholding therefore overwhelms any better than expected growth in the other components.

The relatively strong growth of $31 million (12%) in the FY 2008 **corporate franchise tax** revenue over the previous year is mainly due to significantly lower refunds than the previous year. An analysis of the corporate franchise tax by components shows that while estimated payments and final payments grew roughly 4%, refunds fell sharply by 46%. An examination of corporate franchise tax refunds for the past 9-years shows that the FY 2007 level of $53 million was unusually high and the FY 2008 level is more normal.

The FY 2008 revenue for the **unincorporated business (UB) tax** fell $40 million (24%) over the previous year. The UB tax is collected primarily from real estate businesses in the District and to a large extent reflects the fortunes of the real estate market. Consequently, UB tax collections have fallen sharply with the recent slowdown in the real estate market, a slowdown which has been exacerbated by the financial crisis as credit for real estate dried up.

The FY 2008 growth of $25 million (16%) over FY 2007 for the **public utility gross receipts tax** is much stronger than expected and much stronger than the relatively flat growth of previous years. A possible explanation for the public utilities variance is that, as the price for gasoline grew, many people spent more time at home, using higher amounts of electricity and natural gas to light, heat and to cool their homes. But the stronger than expected performance could be coming from new construction and a return to growth in the Washington, D.C. population in recent years.

The $71 million (31%) decline in FY 2008 revenue over the previous year for the **deed recordation tax** and a $40 million (26%) decline for the **deed transfer tax** reflect the general slowdown in the real estate markets, both in lower prices and sharply lower volume of sales.

FY 2007 Actual Expenditures to FY 2008 Actual Expenditures Variances

Government Direction and Support increased by $15,813 over the previous year. The primary causes for this increase were: (1) a $25,920 increase for the Office of the Chief Technology Officer (OCTO); (2) a $10,000 increase for Section 103 Settlements, for the Children's Island development case, and; (3) the $(11,128) decrease for the Deputy Mayor's Office/City Administrator. OCTO's $25,920 increase was caused almost entirely by an increase of approximately $25 million for an additional 111 full-time equivalent employees (FTEs) and for operating costs of capital projects that came online in various activities throughout the agency.

Economic Development and Regulation increased by $58,146 over the previous year. The major causes for this increase were: (1) an increase of $41,739 for the Department of Employment Services (DOES); (2) a decrease of $(34,822) for the Housing Production Trust Fund Subsidy (HPTFS); (3) an increase of $28,313 for the Office of the Deputy Mayor for Planning and Economic Development (DMPED), and; (4) an increase of $13,896 for the Department of Housing and Community Development (DHCD). The $41,739 increase for DOES was caused primarily by a $29,400 increase for the Summer Youth Employment Program (SYEP) and a $6,600 increase for the Transitional Employment Program (TEP), both of which were driven by an expansion of participants, 18,091 for SYEP and 784 for TEP.

The $28,313 increase for DMPED was mostly the result of new economic development programs that were initiated by the District as a result of consolidating the operations of the National Capital Revitalization Corporation (NCRC) and the Anacostia Waterfront Corporation (AWC) into DMPED. This accounted for $16,500 of the variance. In addition, there was an $8,200 increase in grants awarded to the Neighborhood Investment Fund (NIF), which is used to finance economic development and neighborhood revitalization in twelve targeted areas of the District to include target area grants, predevelopment grants and land acquisition loans. There was also an $8,300 increase in expenditures related to the Business Improvement District (BID) program. BID activity is used as an economic tool to support economic growth and diversity in the downtown areas. The DHCD variance of $13,896 was caused almost entirely by an expenditure increase of $11,434 attributable to the Housing Purchase Assistance Program (HPAP). HPAP expenditures provide closing assistance and down payment support to qualified homebuyers.

Public Safety & Justice increased by $83,034 over the previous year. The major reasons for this increase were: (1) an increase of $39,477 for the Metropolitan Police Department (MPD); (2) an increase of $15,826 for Fire and Emergency Medical Services (FEMS); (3) an increase of $9,165 for the Office of Victim Services (OVS) and; (4) an increase of $8,514 for the Office of Unified Communications. The $39,477 variance for MPD was caused almost entirely by two factors; (1) a $26.3 million increase due to an increase of 406 Full-Time Equivalent Employees, along with annual pay raises, step increases and overtime, and; an $11 million increase due mainly to the increase in fixed costs for rent and security.

The $15,826 increase for FEMS was caused primarily by $12.5 million in pay raises and step increases for 2,072 employees. The $9,165 increase for OVS was due to its being created as a new agency in FY 2008. OVS was created in order to establish budget authority over accrued interest for program funds that had been previously going into the General Fund. The programs in OVS were transferred out of the Office of the City Administrator.

The FY 2008 increase of $200,004 in expenditures for the Public Education System was caused primarily by: (1) an increase of $88,566 for the State Education Office (OSSE); (2) a $50,856 increase for the D.C. Public Schools (DCPS); (3) a $33,700 increase for the Office of Public Education Facilities Modernization (OPEFM), and; (4) $28,295 increase for Public Charter Schools. The OSSE variance of $88,566 was entirely attributable to the creation of OSSE, which took over operational responsibility for state education functions from DCPS and the University of the District of Columbia. OSSE also assumed additional responsibilities from the Department of Human Services with the acquisition of the Early Care and Education Administration (ECEA).

The $33,700 increase for OPEFM was due to the fact that it was created during FY 2007, with a budget of $2,569. FY 2008 was the first full year of operation for OPEFM, and during the year, $26,018 in funds was reprogrammed from the DCPS to OPEFM. In June 2008, the District provided OPEFM with an additional $3,100 in supplemental appropriations. The $33,700 increase in actual expenditures from FY 2007 to FY 2008 was the result of facilities maintenance activities that were transferred from DCPS to OPEFM in FY 2008.

The increase of $94,277 in FY 2008 expenditures for Human Support Services was caused primarily by: (1) an increase of $93,477 for Child and Family Services Administration (CFSA); (2) an increase of $85,976 for the Department on Disability Services, and; (3) a decrease of $(135,311) for the Department of Human Services (DHS). The Department on Disability Services (DDS) was established as a new agency in FY 2008. Expenditures of $92 million were transferred from the DHS

Mental Retardation and Developmental Disabilities Administration (MRDDA) and the Rehabilitation Services Administration (RSA) to DDS. DHS also transferred the Early Childhood Education Administration (ECEA) and $45 million to the Office of the State Superintendent of Education (OSSE). CFSA's increase was primarily due to the increase in the grant disallowance and receivable write-off of approximately $80.5 million during the FY 2008 closing. The grant disallowance and receivable write-off is the result of the findings from the Medicaid cost report audit for FYs 2004 and 2005 for the agency in the execution of its targeted case management and cost rehabilitative option claiming. The remaining balance is due to increased costs for services to children in CFSA care.

The Public Works expenditure increase of $133,806 was caused primarily by: (1) an $89,424 increase for the District Department of Transportation (DDOT); (2) a $16,412 increase for Mass Transit Subsidies and; (3) an increase of $15,634 for the Department of Public Works (DPW). The DDOT increase of $89,424 was due to an increase of $76.9 million in Special Purpose Funds to implement the new DOT Unified Fund; $8 million in Local Funds for construction projects; $2.7 million Federal Highway Administration and $1.9 million for information technology. The $16,412 increase for Mass Transit Subsidies was due to a Washington Metropolitan Area Transit Authority increase in the base subsidy requirement. The $15,634 increase for DPW was a result of a number of different facts, the largest of which was $6.3 million for increased salary, wages and step increases and overtime.

The Other Uses increase of $221,245 was caused primarily by: (1) an increase of $106,207 for the District Retiree Health Contribution; (2) an increase of $34,582 for Repayment of Loans and Interest, and: (3) an increase of $21,876 for Pay-Go Capital.

SUBSEQUENT EVENTS

Short-Term Debt

The District issues short-term debt to finance seasonal cash flow needs. This need occurs due to the timing variance between receipts of taxes, grants and other revenues and the outflow of funds for governmental operations and other required disbursements. On December 2, 2008, the District issued fixed-rate Tax Revenue Anticipation Notes in the aggregate amount of $400,000. These Notes were issued at an interest rate of 2.50% and priced to yield 1.09%, and are to be paid off on September 30, 2009. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year of issuance.

Inauguration Emergency Funding

The federal government announced on January 13, 2009 that it will grant emergency funding to the District to help with soaring costs for the January 20, 2009 inauguration of President-elect Barack Obama. The District requested additional funds, due to the estimates of 1.5 million to 2 million people that were expected to attend, with the resulting increase in expenditures for public safety, transportation, and security related measures. The District estimated that its costs for the events will total more than $47 million, approximately three times as much as the $15 million that was originally appropriated for the inauguration. President Bush declared that an "*emergency exists in the District of Columbia*" and that the District would receive the federal money for protective measures "*undertaken to save lives and protect public health and safety.*"

CONTACTING THE DISTRICT'S OFFICE OF THE CHIEF FINANCIAL OFFICER

This CAFR is designed to provide the District's citizens, taxpayers, customers, vendors, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report, suggestions for improvement, or need additional financial information, please contact:

The Office of the Chief Financial Officer
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 209
Washington, D.C. 20004
(202) 727-2476
www.dccfo.com

BASIC FINANCIAL STATEMENTS

The basic financial statements include the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.

Exhibit 1-a

District of Columbia
Statement of Net Assets
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	Primary Government				
	Governmental Activities	Business-Type Activities	Totals 2008	Totals 2007 Restated	Component Units
ASSETS					
Cash and cash equivalents (unrestricted)	$ 484,115	$ 17,768	$ 501,883	$ 621,147	$ 164,206
Investments (unrestricted)	-	5,915	5,915	7,277	176,017
Accrued interest receivable, net	171	-	171	116	-
Due from federal government	380,512	-	380,512	415,716	91,418
Taxes receivable, net	305,169	-	305,169	288,700	-
Accounts receivable, net	224,491	21,704	246,195	169,375	42,082
Other receivables	-	-	-	-	31,133
Due from primary government	-	-	-	-	23,147
Due from component units	14,339	-	14,339	10,003	-
Due from fiduciary funds	-	-	-	57,482	-
Internal balances	10,736	(10,736)	-	-	-
Inventories	16,841	-	16,841	17,113	8,187
Other current assets	998	562	1,560	4,175	900
Cash and cash equivalents (restricted)	2,112,154	422,799	2,534,953	2,833,107	99,552
Investments (restricted)	154,002	43,039	197,041	51,157	892,290
Other long term assets	209,558	-	209,558	113,961	559,888
Deferred charges	95,726	-	95,726	81,267	-
Net OPEB assets	7,507	-	7,507	-	-
Depreciable capital assets, net	5,098,204	15,483	5,113,687	4,083,163	2,865,467
Non-depreciable capital assets	2,145,433	1,264	2,146,697	2,073,946	445,778
Total assets	11,259,956	517,798	11,777,754	10,827,705	5,400,065
LIABILITIES					
Accounts payable	682,445	49,777	732,222	655,083	105,948
Compensation payable	144,642	2,377	147,019	121,834	22,505
Due to primary government	-	-	-	-	14,339
Due to component units	23,147	-	23,147	64,037	-
Due to fiduciary funds	5,522	-	5,522	-	-
Unearned revenues	358,644	303	358,947	284,369	36,096
Accrued liabilities	242,629	7,943	250,572	183,217	38,950
Accrued interest payable	71,434	-	71,434	66,365	-
Other current liabilities	56,971	217	57,188	12,233	131,716
Long-term liabilities:					
Due within one year	476,619	8,631	485,250	414,808	124,135
Due in more than one year	6,652,370	32,748	6,685,118	6,048,026	3,344,002
Total liabilities	8,714,423	101,996	8,816,419	7,849,972	3,817,691
NET ASSETS					
Invested in capital assets, net of related debt	1,794,279	16,747	1,811,026	1,214,486	1,042,400
Restricted for:					
Expendable					
Debt service	180,595	-	180,595	343,590	-
Benefit payments	-	374,282	374,282	375,148	-
Grants and contributions	175,754	-	175,754	118,838	-
Emergency reserves	330,238	-	330,238	309,383	-
Other	469,626	-	469,626	497,897	175,043
Nonexpendable	-	-	-	-	7,242
Unrestricted (deficit)	(404,959)	24,773	(380,186)	118,391	357,689
Total net assets	$ 2,545,533	$ 415,802	$ 2,961,335	$ 2,977,733	$ 1,582,374

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia
Statement of Activities
For the Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government				
							Totals		
Functions/Programs	**Expenses**	**Charges for Services, Fees, Fines & Forfeits**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**2008**	**2007 Restated**	**Component Units**
Primary government:									
Governmental activities:									
Governmental direction and support	$ 834,694	$ 11,702	$ 32,876	$ 5,130	$ (784,986)		$ (784,986)	$ (628,212)	
Economic development and regulation	499,644	111,105	97,650	-	(290,889)		(290,889)	(285,925)	
Public safety and justice	1,384,517	42,472	330,480	-	(1,011,565)		(1,011,565)	(928,555)	
Public education system	1,787,635	165	198,685	9,000	(1,579,785)		(1,579,785)	(1,302,932)	
Human support services	3,285,325	6,934	1,496,860	3,071	(1,778,460)		(1,778,460)	(1,525,295)	
Public works	586,649	206,771	21,724	158,640	(199,514)		(199,514)	(180,192)	
Public transportation	214,905	-	-	-	(214,905)		(214,905)	(198,484)	
Interest on long-term debt	293,339	-	-	-	(293,339)		(293,339)	(281,918)	
Total governmental activities	8,886,708	379,149	2,178,275	175,841	(6,153,443)		(6,153,443)	(5,331,513)	
Business-type activities:									
Lottery and Games	182,981	252,721	-	-		$ 69,740	69,740	64,488	
Unemployment compensation	150,237	-	21,191	-		(129,046)	(129,046)	(81,562)	
Nursing home services	40,837	37,435	-	-		(3,402)	(3,402)	(5,641)	
Total business-type activities	374,055	290,156	21,191	-		(62,708)	(62,708)	(22,715)	
Total primary government	$ 9,260,763	$ 669,305	$ 2,199,466	$ 175,841	(6,153,443)	(62,708)	(6,216,151)	(5,354,228)	
Component units:									
Water and sewer authority	$ 338,258	$ 318,488	$ -	$ 42,208					$ 22,438
Convention center	97,201	17,955	-	-					(79,246)
Sports commission	14,808	5,665	-	-					(9,143)
Housing finance	77,649	6,778	-	-					(70,871)
University	109,985	19,315	24,774	7,932					(57,964)
Total component units	$ 637,901	$ 368,201	$ 24,774	$ 50,140					(194,786)
General revenues:									
Taxes:									
Property taxes					1,787,365	-	1,787,365	1,545,325	-
Sales and use taxes					1,101,859	-	1,101,859	1,056,780	-
Income and franchise taxes					1,755,894	-	1,755,894	1,736,361	-
Gross receipts taxes					302,873	-	302,873	302,768	-
Other taxes					413,401	92,733	506,134	588,315	-
Investment earnings					95,847	21,317	117,164	145,261	70,902
Miscellaneous					458,469	16,355	474,824	457,520	31,597
Subsidy from primary government					-	-	-	-	154,263
Special item					153,640	-	153,640	(8,838)	-
Transfer in (out)					70,300	(70,300)	-	-	-
Total general revenues, special item and transfers					6,139,648	60,105	6,199,753	5,823,492	256,762
Change in net assets					(13,795)	(2,603)	(16,398)	469,264	61,976
Net assets at October 1, as restated					2,559,328	418,405	2,977,733	2,508,469	1,520,398
Net assets at September 30					$ 2,545,533	$ 415,802	$ 2,961,335	$ 2,977,733	$ 1,582,374

The accompanying notes are an integral part of this statement.

Exhibit 2-a

District of Columbia
Balance Sheet
Governmental Funds
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds 2008	Total Governmental Funds 2007
ASSETS							
Cash and cash equivalents (unrestricted)	$ 484,115	$ -	$ -	$ -	$ -	$ 484,115	$ 602,923
Accrued interest receivable	-	-	-	-	171	171	116
Due from federal government	12,947	338,794	28,771	-	-	380,512	415,716
Taxes receivable, net	305,169	-	-	-	-	305,169	288,700
Accounts receivable, net	87,251	102,502	1,531	363	32,844	224,491	151,851
Due from component units	14,339	-	-	-	-	14,339	10,003
Due from other funds	432,253	11,138	-	-	48,223	491,614	451,133
Inventories	15,869	972	-	-	-	16,841	17,113
Other current assets	690	-	-	78	229	997	3,435
Cash and cash equivalents (restricted)	605,913	114,116	995,215	30,488	366,422	2,112,154	2,427,863
Investments (restricted)	154,002	-	-	-	-	154,002	-
Other long term assets	64,499	18,230	-	-	126,829	209,558	113,961
Total assets	$ 2,177,047	$ 585,752	$ 1,025,517	$ 30,929	$ 574,718	$ 4,393,963	$ 4,482,814
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	343,268	102,038	222,598	636	13,905	682,445	624,418
Compensation payable	132,564	9,136	2,659	-	283	144,642	119,530
Due to other funds	55,250	193,553	209,466	-	28,131	486,400	382,608
Due to component units	12,456	-	-	10,691	-	23,147	64,037
Deferred revenue	171,157	116,008	3,195	-	127,615	417,975	315,277
Accrued liabilities	177,875	64,674	-	-	80	242,629	175,408
Other current liabilities	39,755	16,549	665	-	-	56,969	11,956
Total liabilities	932,325	501,958	438,583	11,327	170,014	2,054,207	1,693,234
Fund balances:							
Reserved for:							
General fund purposes	957,977	-	-	-	-	957,977	1,135,459
Special revenue funds purposes	-	83,794	-	-	381,435	465,229	460,556
Capital project purposes	-	-	586,934	19,602	23,269	629,805	835,024
Unreserved, designated, reported in:							
General fund	200,020	-	-	-	-	200,020	277,299
Unreserved, undesignated reported in:							
General fund	86,725	-	-	-	-	86,725	81,242
Total fund balances	1,244,722	83,794	586,934	19,602	404,704	2,339,756	2,789,580
Total liabilities and fund balances	$ 2,177,047	$ 585,752	$ 1,025,517	$ 30,929	$ 574,718		$ 4,482,814

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,243,637
Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.		59,331
Adjustment for net OPEB assets.		7,507
Adjustment for deferred charges.		95,726
Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:		
General obligation bonds	4,592,518	
Tobacco settlement bonds	724,484	
TIF bonds & notes	100,664	
Ballpark bonds	526,415	
QZAB	6,713	
Accrued interest payable	71,434	
Capital leases	52,403	
Other long-term liabilities	1,125,793	
		(7,200,424)
Net assets of governmental activities		$ 2,545,533

The accompanying notes are an integral part of this statement.

Exhibit 2-b

District of Columbia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds 2008	Total Governmental Funds 2007
REVENUES							
Taxes:							
Property taxes	$ 1,759,091	$ -	$ -	$ -	$ -	$ 1,759,091	$ 1,551,900
Sales and use taxes	1,101,859	-	-	-	-	1,101,859	1,056,780
Income and franchise taxes	1,755,894	-	-	-	-	1,755,894	1,736,361
Gross receipts taxes	302,873	-	-	-	-	302,873	302,768
Other taxes	413,401	-	-	-	-	413,401	498,198
Fines and forfeitures	99,452	-	-	-	-	99,452	101,971
Licenses and permits	94,988	-	-	-	-	94,988	89,072
Charges for services	180,614	4,095	-	-	-	184,709	143,934
Investment earnings	70,528	1,087	1,699	13,490	9,043	95,847	124,420
Miscellaneous	335,384	13,845	12,882	21,194	74,442	457,747	444,262
Federal contributions	-	419,075	14,131	-	-	433,206	440,962
Operating grants	1,865	1,757,335	161,710	-	-	1,920,910	1,999,090
Total revenues	6,115,949	2,195,437	190,422	34,684	83,485	8,619,977	8,489,718
EXPENDITURES							
Current:							
Governmental direction and support	663,674	31,331	-	-	170	695,175	651,974
Economic development and regulation	361,866	99,841	-	-	-	461,707	444,508
Public safety and justice	1,044,456	325,451	-	-	-	1,369,907	1,241,684
Public education system	1,457,941	258,760	-	-	-	1,716,701	1,541,194
Human support service	1,718,912	1,504,067	-	-	-	3,222,979	2,975,821
Pnblic works	262,044	22,654	-	-	132,284	416,982	329,942
Public transportation	214,905	-	-	-	-	214,905	198,484
Debt service:							
Principal	229,953	-	-	-	22,045	251,998	232,389
Interest	219,196	-	-	-	68,158	287,354	258,769
Fiscal charges	25,025	-	-	-	305	25,330	15,095
Capital outlay	-	-	1,161,941	178,105	50,369	1,390,415	1,024,541
Total expenditures	6,197,972	2,242,104	1,161,941	178,105	273,331	10,053,453	8,914,401
Excess (deficiency) of revenues over expenditures	(82,023)	(46,667)	(971,519)	(143,421)	(189,846)	(1,433,476)	(424,683)
OTHER FINANCING SOURCES (USES)							
Debt issuance	2,360	-	661,745	-	-	664,105	610,580
Refunding debt issuance	675,895	-	-	-	-	675,895	251,155
Premium on sale of bonds	19,773	-	16,509	-	-	36,282	16,063
Payment to refunded bond escrow agent	(675,385)	-	-	-	-	(675,385)	(264,334)
Equipment financing program	-	-	36,479	-	-	36,479	42,471
Transfers in	74,088	-	139,957	49,981	213,803	477,829	694,229
Transfers out	(323,707)	(3,788)	-	-	(80,034)	(407,529)	(628,853)
Sale of capital assets	726	-	-	-	-	726	12,168
Total other financing sources (uses)	(226,250)	(3,788)	854,690	49,981	133,769	808,402	733,479
Special item	58,995	-	-	-	116,255	175,250	(8,838)
Net change in fund balances	(249,278)	(50,455)	(116,829)	(93,440)	60,178	(449,824)	299,958
Fund balances at October 1	1,494,000	134,249	703,763	113,042	344,526	2,789,580	2,489,622
Fund balances at September 30	$ 1,244,722	$ 83,794	$ 586,934	$ 19,602	$ 404,704	$ 2,339,756	$ 2,789,580

The accompanying notes are an integral part of this statement.

Exhibit 2-c

District of Columbia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2008
($000s)

Net change in fund balances - total governmental funds	$	(449,824)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		1,103,738
Deferred property tax revenues which were earned but whose current financial resources are not available for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements. This is the amount deferred property taxes increased in the governmental funds between 2007 and 2008.		28,274
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds exceeded repayments.		(583,100)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount that other long term liabilities decreased in the current period.		(112,883)
Change in net assets of governmental activities	$	(13,795)

The accompanying notes are an integral part of this statement.

Exhibit 2-d

District of Columbia
Budgetary Comparison Statement
For the Year Ended September 30, 2008
($000s)

	General Fund				Federal and Private Resources				Totals			
	Budget			Variance	Budget			Variance	Budget			Variance
	Original	Revised	Actual	Positive (Negative)	Original	Revised	Actual	Positive (Negative)	Original	Revised	Actual	Positive (Negative)
Revenues and Sources:												
Taxes:												
Property taxes	$ 1,656,002	$ 1,756,694	$ 1,726,005	$ (30,689)	$ -	$ -	$ -	$ -	$ 1,656,002	$ 1,756,694	$ 1,726,005	$ (30,689)
Sales and use taxes	960,422	939,786	932,069	(7,717)	-	-	-	-	960,422	939,786	932,069	(7,717)
Income and franchise taxes	1,740,816	1,755,589	1,755,894	305	-	-	-	-	1,740,816	1,755,589	1,755,894	305
Other taxes	638,260	638,021	692,995	54,974	-	-	-	-	638,260	638,021	692,995	54,974
Total taxes	4,995,500	5,090,090	5,106,963	16,873	-	-	-	-	4,995,500	5,090,090	5,106,963	16,873
Licenses and permits	69,235	75,890	84,921	9,031	-	-	-	-	69,235	75,890	84,921	9,031
Fines and forfeits	118,170	97,420	98,932	1,512	-	-	-	-	118,170	97,420	98,932	1,512
Charges for services	46,291	48,857	43,493	(5,364)	-	-	-	-	46,291	48,857	43,493	(5,364)
Miscellaneous	98,665	116,379	158,510	42,131	-	-	-	-	98,665	116,379	158,510	42,131
Other sources	496,804	510,542	448,972	(61,570)	-	-	-	-	496,804	510,542	448,972	(61,570)
General obligation bonds	60,000	60,000	16,216	(43,784)	-	-	-	-	60,000	60,000	16,216	(43,784)
Federal contributions	-	-	-	-	67,652	90,648	81,029	(9,619)	67,652	90,648	81,029	(9,619)
Operating grant	-	-	-	-	2,007,200	1,997,470	1,633,256	(364,214)	2,007,200	1,997,470	1,633,256	(364,214)
Fund balance released from restrictions	339,989	473,383	473,383	-	-	14,736	14,736	-	339,989	488,119	488,119	-
Interfund transfer-from lottery and games	72,100	70,000	70,300	300	-	-	-	-	72,100	70,000	70,300	300
Interfund transfer-others	28,360	28,360	9,084	(19,276)	-	-	-	-	28,360	28,360	9,084	(19,276)
Total revenues and other sources	6,325,114	6,570,921	6,510,774	(60,147)	2,074,852	2,102,854	1,729,021	(373,833)	8,399,966	8,673,775	8,239,795	(433,980)
Expenditures and Other Uses:												
Governmental direction and support	387,643	403,947	382,071	21,876	24,244	28,482	24,621	3,861	411,887	432,429	406,692	25,737
Economic development and regulation	441,141	520,106	438,769	81,337	140,085	146,371	100,379	45,992	581,226	666,477	539,148	127,329
Public safety and justice	1,036,664	1,055,862	1,044,463	11,399	111,612	62,848	56,239	6,609	1,148,276	1,118,710	1,100,702	18,008
Public education system	1,306,621	1,370,411	1,329,032	41,379	277,052	286,199	195,051	91,148	1,583,673	1,656,610	1,524,083	132,527
Public education AY09 expenditure	-	91,829	91,829	-	-	-	-	-	-	91,829	91,829	-
Public schools medicaid write off	-	-	26,601	(26,601)	-	-	-	-	-	-	26,601	(26,601)
Human support services	1,573,805	1,572,877	1,524,104	48,773	1,500,217	1,544,343	1,357,969	186,374	3,074,022	3,117,220	2,882,073	235,147
Child & family services medicaid write off	-	-	82,875	(82,875)	-	-	-	-	-	-	82,875	(82,875)
Public works	573,069	581,827	563,777	18,050	21,642	23,396	22,653	743	594,711	605,223	586,430	18,793
Emergency planning and security costs	-	-	-	-	-	11,215	11,215	-	-	11,215	11,215	-
Workforce investments	21,044	11,927	-	11,927	-	-	-	-	21,044	11,927	-	11,927
Wilson building	4,190	4,190	4,147	43	-	-	-	-	4,190	4,190	4,147	43
Repay bonds and interest	440,707	421,552	420,827	725	-	-	-	-	440,707	421,552	420,827	725
Repay revenue bonds and interest	12,000	12,000	2,512	9,488	-	-	-	-	12,000	12,000	2,512	9,488
Bond fiscal charge	60,000	60,000	16,216	43,784	-	-	-	-	60,000	60,000	16,216	43,784
Interest on short term borrowing	13,334	7,849	7,849	-	-	-	-	-	13,334	7,849	7,849	-
Certificates of participation	32,288	32,288	30,664	1,624	-	-	-	-	32,288	32,288	30,664	1,624
Settlements and judgments fund	21,015	21,015	21,015	-	-	-	-	-	21,015	21,015	21,015	-
Baseball tax transfer	46,397	46,397	46,397	-	-	-	-	-	46,397	46,397	46,397	-
Equipment lease operating	43,755	32,971	29,896	3,075	-	-	-	-	43,755	32,971	29,896	3,075
Pay-go capital	108,152	140,737	140,737	-	-	-	-	-	108,152	140,737	140,737	-
Schools modernization fund	6,435	4,735	4,716	19	-	-	-	-	6,435	4,735	4,716	19
District retiree health contribution	110,907	110,907	110,907	-	-	-	-	-	110,907	110,907	110,907	-
Cash reserve	50,000	36,525	-	36,525	-	-	-	-	50,000	36,525	-	36,525
Non-departmental agency	34,489	17,830	-	17,830	-	-	-	-	34,489	17,830	-	17,830
Total expenditures and other uses	6,323,656	6,557,782	6,319,404	238,378	2,074,852	2,102,854	1,768,127	334,727	8,398,508	8,660,636	8,087,531	573,105
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES -- BUDGETARY BASIS	$ 1,458	$ 13,139	$ 191,370	$ 178,231	$ -	$ -	$ (39,106)	$ (39,106)	$ 1,458	$ 13,139	$ 152,264	$ 139,125

The accompanying notes are an integral part of this statement.

Exhibit 3-a

District of Columbia

Statement of Net Assets
Proprietary Funds
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	Lottery and Games	Unemployment Compensation	Nonmajor Proprietary Fund	Totals 2008	Totals 2007 Restated
ASSETS					
Current assets:					
Cash and cash equivalents (unrestricted)	$ 7,562	$ -	$ 10,206	$ 17,768	$ 18,224
Investments (unrestricted)	-	-	5,915	5,915	7,277
Accounts receivable, net	7,098	7,608	6,998	21,704	17,524
Due from other funds	-	-	402	402	1,396
Other current assets	15	-	547	562	740
Cash and cash equivalents (restricted)	-	422,799	-	422,799	405,244
Total current assets	14,675	430,407	24,068	469,150	450,405
Noncurrent assets:					
Investments (restricted)	41,379	-	1,660	43,039	51,157
Capital assets, net	364	-	16,383	16,747	17,211
Total noncurrent assets	41,743	-	18,043	59,786	68,368
Total assets	56,418	430,407	42,111	528,936	518,773
LIABILITIES					
Current liabilities					
Accounts payable	2,407	44,987	2,383	49,777	30,665
Accrued compensated absences	598	-	1,779	2,377	2,304
Due to other funds	-	11,138	-	11,138	12,439
Deferred revenue	303	-	-	303	149
Accrued liabilities	7,910	-	33	7,943	7,809
Other current liabilities	-	-	217	217	277
Long term liabilities due within one year	8,631	-	-	8,631	8,631
Total current liabilities	19,849	56,125	4,412	80,386	62,274
Noncurrent liabilities					
Long term liabilities due in more than one year	32,748	-	-	32,748	38,094
Total noncurrent liabilities	32,748	-	-	32,748	38,094
Total liabilities	52,597	56,125	4,412	113,134	100,368
NET ASSETS					
Invested in capital assets, net of related debt	364	-	16,383	16,747	17,211
Restricted - expendable	-	374,282	-	374,282	375,148
Unrestricted	3,457	-	21,316	24,773	26,046
Total net assets	$ 3,821	$ 374,282	$ 37,699	$ 415,802	$ 418,405

The accompanying notes are an integral part of this statement.

Exhibit 3-b

District of Columbia

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	Lottery and Games	Unemployment Compensation	Nonmajor Proprietary Fund	Totals 2008	Totals 2007 Restated
Operating revenues:					
Employer taxes	$ -	$ 92,733	$ -	$ 92,733	$ 90,117
Charges for services	252,721	-	37,435	290,156	288,673
Benefit contributions	-	21,191	-	21,191	18,358
Miscellaneous	-	-	826	826	1,095
Total operating revenues	252,721	113,924	38,261	404,906	398,243
Operating expenses:					
Benefits	-	150,237	-	150,237	99,920
Prizes, agents commission & advertising	155,460	-	-	155,460	166,689
Personnel services	9,599	-	6,002	15,601	17,110
Contractual services	17,783	-	25,268	43,051	37,950
Depreciation	139	-	2,212	2,351	2,269
Miscellaneous	-	-	7,355	7,355	5,808
Total operating expenses	182,981	150,237	40,837	374,055	329,746
Operating income (loss)	69,740	(36,313)	(2,576)	30,851	68,497
Nonoperating revenues:					
Interest and investment revenue	628	19,918	771	21,317	20,841
Federal extended benefit contribution	-	15,529	-	15,529	-
Total nonoperating revenue	628	35,447	771	36,846	20,841
Income (loss) before transfers	70,368	(866)	(1,805)	67,697	89,338
Transfer out	(70,300)	-	-	(70,300)	(65,376)
Change in net assets	68	(866)	(1,805)	(2,603)	23,962
Total net assets at October 1, as restated	3,753	375,148	39,504	418,405	394,443
Total net assets at September 30	$ 3,821	$ 374,282	$ 37,699	$ 415,802	$ 418,405

The accompanying notes are an integral part of this statement.

Exhibit 3-c

District of Columbia
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	Lottery and Games	Unemployment Compensation	Nonmajor Proprietary Fund	Totals 2008	Totals 2007 Restated
Operating activities:					
Cash receipts from customers/employers	$ 251,110	$ 113,864	$ 33,228	$ 398,202	$ 395,322
Other cash receipts	396	-	577	973	1,490
Cash payments to vendors	(25,462)	-	(38,149)	(63,611)	(57,963)
Cash payments to employees/claimants	(6,037)	(131,756)	-	(137,793)	(109,463)
Other cash payments, including prizes	(151,405)	-	-	(151,405)	(163,117)
Net cash provided by (used in) operating activities	68,602	(17,892)	(4,344)	46,366	66,269
Noncapital financing activities:					
Intergovernmental grants	-	15,529	-	15,529	-
Interfund transfers out	(70,300)	-	-	(70,300)	(65,376)
Net cash provided by (used in) noncapital financing activities	(70,300)	15,529	-	(54,771)	(65,376)
Capital and related financing activities:					
Acquisitions of capital assets	(192)	-	(1,755)	(1,947)	(1,641)
Net cash used in capital and related financing activities	(192)	-	(1,755)	(1,947)	(1,641)
Investing activities:					
Receipts of interest and dividends	628	19,918	771	21,317	20,841
Net proceeds from related party	-	-	2,000	2,000	-
Sales of investments	-	-	4,134	4,134	(6,218)
Net cash provided by investing activities	628	19,918	6,905	27,451	14,623
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,262)	17,555	806	17,099	13,875
Cash and cash equivalents at October 1	8,824	405,244	9,400	423,468	409,593
Cash and cash equivalents at September 30	$ 7,562	$ 422,799	$ 10,206	$ 440,567	$ 423,468
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 69,740	$ (36,313)	$ (2,575)	$ 30,852	$ 68,497
Depreciation	139	-	2,212	2,351	2,269
Decrease (increase) in assets:					
Accounts receivable	(1,370)	(59)	(4,206)	(5,635)	(807)
Allowance for uncollectible	-	-	1,876	1,876	1,266
Deposits	-	-	(45)	(45)	-
Other current assets	(8)	-	(20)	(28)	(420)
Increase (decrease) in liabilities:					
Accounts payable	(218)	18,480	(1,731)	16,531	(2,942)
Accrued liabilities	(562)	-	145	(417)	(1,646)
Deferred revenue	154	-	-	154	(35)
Other current liabilities	727	-	-	727	87
Net cash provided by (used in) operating activities:	$ 68,602	$ (17,892)	$ (4,344)	$ 46,366	$ 66,269

The accompanying notes are an integral part of this statement.

Exhibit 4-a

District of Columbia
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008
($000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents - restricted	$ 76,718	$ 11	$ 128,561
Investments - restricted:			
Equities	2,569,239	65,622	-
Fixed income securities	714,091	36,185	-
Real estate	283,936	-	-
Private Equity	497,068	-	-
Collateral for securities lending transactions	468,962	-	-
Accounts receivable	7,464	109	-
Due from federal government	1,659	-	-
Benefit contribution receivables	2,498	-	-
Due from other funds	557	-	6,086
Other receivables	-	-	3,626
Other current assets	438,133	-	-
Capital assets	40	-	-
Total assets	5,060,365	101,927	$ 138,273
LIABILITIES			
Accounts payable	11,273	131	8,501
Securities lending collateral	468,962	-	-
Due to other funds	1,103	-	17
Other current liabilities	624,862	-	129,755
Total liabilities	1,106,200	131	$ 138,273
NET ASSETS			
Held in trust for pension and OPEB benefits and other purposes	$ 3,954,165	$ 101,796	

The accompanying notes are an integral part of this statement.

Exhibit 4-b

District of Columbia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2008
($000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	$ 253,907	$ -
Plan members	57,637	23,721
Total contributions	311,544	23,721
Investment earnings (losses):		
From investment activities		
Net decrease in fair value of investments	(938,590)	(18,636)
Other revenue	2,942	-
Interest and dividends	117,962	2,582
Total investment loss	(817,686)	(16,054)
Less - investment expenses	(12,447)	(1,217)
Net loss from investing activities	(830,133)	(17,271)
From securities lending activities		
Securities lending income	21,347	-
Less: securities lending expenses	(16,239)	-
Net income from securities lending activities	5,108	-
Net investment loss	(825,025)	(17,271)
Total additions (deductions)	(513,481)	6,450
DEDUCTIONS		
Benefits	57,989	-
Administrative expenses	9,919	338
Distributions to participants	-	5,547
Total deductions	67,908	5,885
Change in net assets	(581,389)	565
Net assets at October 1	4,535,554	101,231
Net assets at September 30	$ 3,954,165	$ 101,796

The accompanying notes are an integral part of this statement.

Exhibit 5-a

District of Columbia

Discretely Presented Component Units
Combining Statement of Net Assets
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Totals 2008	Totals 2007 Restated
ASSETS							
Current Assets:							
Cash and cash equivalents (unrestricted)	$ 89,614	$ 2,927	$ 7,702	$ 22,690	$ 41,273	$ 164,206	$ 236,865
Investments (unrestricted)	99,438	76,579	-	-	-	176,017	84,935
Receivables, net:							
Accounts	33,323	1,200	1,797	-	5,762	42,082	49,670
Other	15,525	123	-	10,592	4,893	31,133	25,538
Due from federal government	91,418	-	-	-	-	91,418	19,827
Due from primary government	4,851	7,605	10,691	-	-	23,147	42,770
Inventories	8,187	-	-	-	-	8,187	7,260
Other current assets	576	29	121	-	174	900	604
Restricted cash	87,336	-	682	11,534	-	99,552	343,845
Restricted investments	39,762	67,331	-	754,094	31,103	892,290	879,022
Total current assets	470,030	155,794	20,993	798,910	83,205	1,528,932	1,690,336
Noncurrent Assets:							
Loans receivable	-	-	-	530,777	255	531,032	492,560
Other	8,542	6,340	-	13,677	297	28,856	54,633
Total long term assets	8,542	6,340	-	544,454	552	559,888	547,193
Capital assets, net							
Property and equipment	2,135,913	649,834	17,130	2,074	60,516	2,865,467	2,586,841
Non-depreciable capital assets	394,332	43,341	-	573	7,532	445,778	544,325
Total assets	**3,008,817**	**855,309**	**38,123**	**1,346,011**	**151,805**	**5,400,065**	**5,368,695**
LIABILITIES							
Current Liabilities:							
Payables:							
Accounts	80,292	3,834	11,943	1,152	8,727	105,948	86,902
Compensation	12,160	298	179	202	9,666	22,505	23,831
Due to primary government	-	-	4,487	-	9,852	14,339	10,003
Accrued liabilities	24,056	11,614	366	-	2,914	38,950	34,659
Deferred revenue	22,243	3,088	171	2,497	8,097	36,096	49,493
Current maturities	14,002	11,690	-	98,443	-	124,135	131,241
Other current liabilities	48,283	3,019	-	74,630	5,784	131,716	152,466
Total current liabilities	201,036	33,543	17,146	176,924	45,040	473,689	488,595
Noncurrent Liabilities:							
Long term debt:							
Bonds payable	968,522	477,412	-	1,067,209	-	2,513,143	2,573,409
Other long-term liabilities	20,485	9,370	-	1,750	-	31,605	15,952
Refundable advances	-	763	-	-	464	1,227	466
Deferred revenue	798,027	-	-	-	-	798,027	769,875
Total long term liabilities	1,787,034	487,545	-	1,068,959	464	3,344,002	3,359,702
Total Liabilities	**1,988,070**	**521,088**	**17,146**	**1,245,883**	**45,504**	**3,817,691**	**3,848,297**
NET ASSETS							
Invested in capital assets, net of related debt	764,291	191,684	17,130	1,247	68,048	1,042,400	1,077,851
Restricted - expendable	42,321	67,330	145	64,927	320	175,043	170,406
Restricted - nonexpendable	-	-	-		7,242	7,242	7,242
Unrestricted	214,135	75,207	3,702	33,954	30,691	357,689	264,899
Total Net Assets	**$ 1,020,747**	**$ 334,221**	**$ 20,977**	**$ 100,128**	**$ 106,301**	**$ 1,582,374**	**$ 1,520,398**

The accompanying notes are an integral part of this statement.

Exhibit 5-b

District of Columbia
Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Totals 2008	Totals 2007 Restated
Expenses	$ 338,258	$ 97,201	$ 14,808	$ 77,649	$ 109,985	$ 637,901	$ 631,496
Program Revenues:							
Charges for services, fees, fine & forfeits	318,488	17,955	5,665	6,778	19,315	368,201	395,384
Operating grants and contributions	-	-	-	-	24,774	24,774	27,266
Capital grants and contributions	42,208	-	-	-	7,932	50,140	27,919
Net (Expense) Revenue	22,438	(79,246)	(9,143)	(70,871)	(57,964)	(194,786)	(180,927)
General Revenues:							
Investment earnings	13,573	3,439	248	61,139	(7,497)	70,902	61,544
Miscellaneous	3,846	3,214	3,881	15,468	5,188	31,597	33,829
Subsidy from primary government	-	91,493	-	-	62,770	154,263	145,948
Total general revenues	17,419	98,146	4,129	76,607	60,461	256,762	241,321
Change in net assets	39,857	18,900	(5,014)	5,736	2,497	61,976	60,394
Net assets at October 1, as restated	980,890	315,321	25,991	94,392	103,804	1,520,398	1,460,004
Net assets at September 30	$ 1,020,747	$ 334,221	$ 20,977	$ 100,128	$ 106,301	$ 1,582,374	$ 1,520,398

The accompanying notes are an integral part of this statement.

INDEX TO THE NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(Dollar amounts expressed in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND AND HISTORY OF GOVERNMENTAL UNIT

General Operations

The District of Columbia (the District) was created on March 30, 1791 and became the nation's capital on December 1, 1800, in accordance with Article 1, section 8, clause 17 of the United States Constitution. This portion of the Constitution empowered Congress to establish the seat of government for the United States. On January 2, 1975, Congress granted the District a Home Rule Charter, which became effective through the enactment of the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198.

The District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a budget request act, becomes law unless Congress and the President disapprove it after it has been adopted. Citizens of 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 a part of any other 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

A financial reporting entity consists of a primary government and its component units. The primary government is the District of Columbia, including all of the agencies that make up its legal entity. The criteria used to determine if organizations are to be included as component units within the District's reporting entity are as follows:

- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial burden on, or provide financial benefit to the District.
- The organization is fiscally dependent on the District.
- It would be misleading to exclude the organization from the District's financial statements.

Based on the application of the aforementioned criteria, the District's financial statements include five discretely presented component units: Water and Sewer Authority, Washington Convention Center Authority, Sports and Entertainment Commission, Housing Finance Agency, and the University of the District of Columbia. These organizations are presented in a separate column to emphasize that they are legally separate from the District.

The Mayor, with the consent of the Council, appoints the governing bodies of all component units. The District has an obligation to provide financial support to the Housing Finance Agency and the University of the District of Columbia. In addition, the District must approve certain transactions of the Washington Convention Center Authority and certain tax revenues dedicated to this organization. The Water and Sewer Authority is responsible for the payment of certain District long-term debt, issued before that Authority's creation, to finance capital improvements. For that reason, and because the Water and Sewer Authority is an independent authority established under its enabling legislation, this entity is included as a component unit of the District of Columbia.

Information on how to obtain a complete set of financial statements for each discretely presented component units can be obtained at the following locations:

D.C. Sports and Entertainment Commission
General Manager
2001 East Capitol Street, S.E.
Washington, D. C. 20003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DC Water and Sewer Authority
General Manager
5000 Overlook Avenue, S.W.
Washington, D. C. 20032

Housing Finance Agency
Executive Director
815 Florida Avenue, N.W.
Washington, D. C. 20001

University of the District of Columbia
President
Van Ness Campus
4200 Connecticut Avenue, N.W.
Washington, D. C. 20008

Washington Convention Center Authority
General Manager
801 Mount Vernon Place, N.W.
Washington, D. C. 20001

The District established the District of Columbia Tobacco Settlement Financing Corporation (the Tobacco Corporation) as a special purpose, independent instrumentality of the District government. The Tobacco Corporation is a blended component unit because it provides services exclusively to the District. The District also appoints all members of the governing body of the Tobacco Corporation. Its members are authorized to modify or approve the Tobacco Corporation's budget, and appoint, hire, reassign, or dismiss those persons responsible for the organization's day-to-day operations (management). In addition, the District is able to impose its will on this organization.

Separate audited financial statements for the Tobacco Corporation are available from the Office of the Chief Financial Officer, 1275 K Street, N.W., Sixth Floor, Washington, D.C. 20005.

C. RELATED ORGANIZATIONS

A related organization is one for which the primary government is accountable but not *financially accountable*. The District of Columbia Housing Authority and the District of Columbia Courts are related organizations because the District is not financially accountable for them. Although the Mayor appoints a voting majority of the Housing Authority's governing board, the District's accountability for this organization does not extend beyond such appointments. The Mayor does not appoint the members of the Courts' Joint Committee on Judicial Administration; however, the Courts are considered related organizations because they provide the District with judicial services normally associated with state and local governments.

D. JOINT VENTURE

The District is a participant with other local jurisdictions in a joint venture to plan, construct, finance and operate a public transit system serving the Metropolitan Washington Area Transit Zone, which includes the District of Columbia; the cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park and the counties of Arlington, Fairfax, Loudoun and Prince William in Virginia; and Montgomery, Anne Arundel and Prince George's in Maryland. The Washington Metropolitan Area Transit Authority (WMATA) was created in February 1967 for that purpose. WMATA is governed by a six member Board and six alternates, comprised of two Directors and two alternates from Maryland, Virginia and the District of Columbia. The Directors and alternates for Virginia are appointed by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the Council from its members and mayoral nominees; and for Maryland, by the Washington Suburban Transit Commission from among its members. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial activities of the joint venture in its financial statements. Further information regarding this joint venture is discussed in Note 12 on page 113.

E. BASIS OF PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. By definition, assets of fiduciary funds are held for the benefit of a third party and cannot be used to address activities or obligations of the District. For that reason, these funds are not incorporated into the government-wide statements. Governmental activities of the primary government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide statements are comprised of the following:

- *Statement of Net Assets* – The Statement of Net Assets displays the financial position of the District (governmental and business-type activities) and its discretely presented component units. The District reports all capital assets, including infrastructure, in the government-wide Statement of Net Assets. The

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

net assets of a government is broken into these three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

- *Statement of Activities* – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures, charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The District also reports depreciation expense, the cost of "using up" capital assets in the Statement of Activities.

Fund Financial Statements - Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. Each fund is considered to be a separate accounting entity and the transactions in each are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses/expenditures.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Governmental Funds are used to account for all of the District's general activities. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (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 governmental funds:

- *General Fund,* used to account for all financial resources not accounted for in other funds.

- *Federal and Private Resources Fund,* used to account for proceeds of intergovernmental grants and other federal payments, private grant and private contributions that are legally restricted to expenditure for specified purposes.

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

- *Baseball Capital Project Fund,* used to account for the construction of the new baseball stadium.

- *Nonmajor Governmental Funds* include six Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) Community Health Care Financing Fund; (4) Housing Production Trust Fund; (5) Baseball Fund, and (6) PILOT Fund. Other Nonmajor Governmental Funds include the Highway Trust Fund, a capital project fund, and a Debt Service Fund.

Proprietary Funds are used to account for activities similar to those found in the private sector where the costs of providing goods or services primarily or solely to the public on a continuing basis (including depreciation) are financed or recovered primarily through user charges, and the determination of net income is necessary or useful for sound financial administration. The District operates one type of proprietary fund which is an enterprise fund. The District has following enterprise funds, which are discussed below:

- *Lottery and Games Fund* - Used to account for revenues from lotteries and daily numbers games operated by the District and from the issuance of licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gaming activities are administered by the Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council.

- *Unemployment Compensation Fund* - Used to account for the accumulation of financial resources to be used for benefit payments to unemployed former employees of the District and federal governments and of private employers in the District. Resources are contributed by private employers at rates fixed by law, and by the District and federal governments on a reimbursable basis. The administrative costs of the program are accounted for in the General Fund.

- *Nonmajor Proprietary Fund* is used to account for the operations of the Washington Center for Aging Services, the Washington Center for Aging Services Center Care, and the JB Johnson Nursing Center.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The District reports the following fiduciary funds:

- *Pension Trust Funds* report the activities of the District's retirement system, which accumulates financial resources for pension benefit payments to eligible District employees.

- The *Other Post Employment Benefits Trust Fund* is used to report assets that are accumulated and benefits that are paid for post-employment healthcare and life insurance.

- *Private Purpose Trust Fund* is used to report trust arrangements not reported in pension trust funds "under which principal and income benefit individuals, private organizations, or other governments." The District offers a tax-advantaged 529 College Savings Investment Plan (consistent with Section 529 of the Internal Revenue Code). The Plan is designed to help families save for the higher education expenses of designated beneficiaries and is available to District residents as well as non-residents nationwide.

- *Agency Funds* report those resources held by the District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

Prior year comparative information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2007, from which such summarized information was derived.

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Thus, the accounting and financial reporting treatment applied to a fund or activity is determined by its measurement focus.

Measurement Focus

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally, only current assets and current liabilities are included in the balance sheet. The operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

The proprietary funds, pension, OPEB, private purpose trust funds, discretely presented component units, and the government-wide financial statements are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Net assets of the government-wide and proprietary funds are segregated into invested in capital assets, net of related debt, restricted, and unrestricted components. The related operating statements present increases (revenues) and decreases (expenses) in net assets. Operating statements of pension and private purpose trust funds present additions and deductions in fiduciary net assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and enterprise funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The District also has the option of following private-sector guidance issued after November 30, 1989 for its business-type activities and enterprise funds and component units. As allowed by GASB Statement No. 20, the District has elected to follow only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Enterprise funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental entities as established by GASB.

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are considered available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. GASB Interpretation No. 6 (GASBI 6) requires that expenditures and liabilities such as debt service, compensated absences, claims and judgments, and special termination benefits be recorded in the governmental fund statements only when they mature or become due for payment within the period. However, such activity is recorded in the government-wide financial statements as incurred.

Those revenues susceptible to accrual are taxes, federal contributions and grants, charges for services and investment income. 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 assessed as of the preceding January 1. The tax levy is due and collectible in two equal installments on March 31 and September 15. After these dates, the bill becomes delinquent and the District may assess penalties and interest. Real property taxes attach as an enforceable lien on property as of October 1 of the year after levy. 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.

In the District, the personal property tax is self-assessed. The District requires a personal property tax return for the tax year beginning July 1 - June 30 each year to be filed on or before July 31 of that tax year. The return should report the remaining cost (current value) of all tangible personal property that has taxable sites in the District of Columbia as of July 1. Property taxes are levied after the returns are filed. However, if a taxpayer fails to pay property taxes when due, the District does not have a legal claim to the taxpayer's property until after July 31. Failure to pay the levied taxes may result in the District's eventual seizure of the taxpayer's property. The revenue budget for the Personal Property Tax is formulated with the understanding that 25% of collections are to be allocated to the current fiscal year, while the remaining 75% are to be allocated to the immediate subsequent fiscal year.

Intergovernmental revenues are amounts derived through agreements with other governments. In general, these revenues are comprised of contributions and grants made by the Federal government to the District. Contributions are recognized as revenue when received. Generally, entitlements and shared revenues are recognized as revenue at the time of receipt or earlier, if measurable and available. Resources arising from grants are usually subject to certain eligibility requirements; therefore, most grant revenues are recognized as revenue only when the conditions of the grant are met. Grant funds received before all eligibility requirements are met are recorded as deferred revenue.

Licenses and permits, and fines and forfeitures are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period. Licenses and permits and fines and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received.

The government-wide financial statements, proprietary funds, and pension and private purpose trust funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The pension trust and Other Post Employment Benefits (OPEB) trust funds recognize additions to net assets from participants' contributions when due, District contributions when due and a formal commitment for payment has been made, net investment income as earned, and expenditures for benefits and refunds when due and payable. The private purpose trust fund recognizes additions to net assets when participants' contributions are received.

Food Stamps

The District participates in the federal government's food stamp program, which is designed to increase the food purchasing power of economically disadvantaged residents. The District mainly uses the Electronic Benefits Transfer (EBT) system that allows program beneficiaries to charge their qualifying food purchases, thereby eliminating the need for paper stamps. Revenues and expenditures are reported in the federal and private resources fund when the underlying transaction (the food purchase) occurs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES

Process

On or about March 20 of each year, the Mayor submits to the Council an all sources budget for the General Operating Fund for the fiscal year commencing the following October 1. The Council holds public hearings and adopts the budget through passage of a 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. A project-length financial plan is adopted for the General Capital Improvements Fund. On or about June 1 of each year, the Mayor approves the adopted budget and forwards it to the President of the United States for review. Early in June of each year, the President submits the reviewed budget to Congress which conducts public hearings and enacts the budget through passage of an appropriations bill.

Appropriations Act

The legally adopted budget is the annual appropriations public law (Appropriations Act) enacted by Congress and signed by the President. The Appropriations Act authorizes expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education. Congress must enact a revision that alters the total expenditures of any function. The District may request a revision to the appropriated expenditure amounts in the Appropriations Act by submitting to the President and Congress a request for a supplemental appropriation.

Pursuant to the Reprogramming Policy Act (D. C. Official Code §47-363 (2001), as amended), the District may reallocate budget amounts within an appropriation title. The appropriated budget amounts in the Budgetary Comparison Statement include all approved reallocations. This statement reflects budget to actual comparisons at the function level (or appropriation title). Appropriated 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 Anti-Deficiency Act (31 U.S.C. §§1341, 1342, 1349, and 1351) and the District of Columbia Anti-Deficiency Act (D.C. Official Code §§47-355.01-355.08, (2001)). Also, a violation of the D.C. Anti-Deficiency Act exists if there is a negative expenditure variance for a particular purpose or object of expenditure within an appropriation.

The Appropriations Act specifies expenditures and net operating results but does not specify revenue amounts. The legally adopted revenue budget is based primarily on the revenue estimates submitted to the President and Congress as modified through legislation.

By law, the budgetary general fund includes both the general fund and the federal and private resources fund presented in Exhibit 2-b. Additionally, the budgetary basis of accounting used to prepare the budgetary comparison statement presented in Exhibit 2-d differs from the GAAP–basis general fund and federal and private resources fund due to other basis and entity differences, as follows:

- *Basis Differences* - These are differences that arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1Y on page 74.

- *Entity Differences* – These differences result from the inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis as indicated in Note 1Y on pages 74.

Encumbrances

Encumbrance accounting is employed 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. All encumbrances lapse in the General Fund at year end, and may automatically be re-appropriated and re-encumbered as part of the subsequent year's budget.

H. CASH AND INVESTMENTS

Cash

Cash from the governmental and proprietary funds and certain component units is pooled unless prohibited by law. The cash management pool is considered to be cash because it is used as a demand deposit account by each participating fund and component unit. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 their values are effectively immune from changes in interest rates. The District's cash management pool is considered a cash equivalent. For an investment to be considered a cash equivalent, it must mature no more than three months after the date it is purchased.

Investments

Any cash that is not needed for immediate disbursement is used to purchase investments. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Law 12-56), which became effective March 18, 1998. At September 30, 2008, the District has invested primarily in investments backed by U.S. government agencies' securities, with the implicit guarantee of the federal government. Such investments are considered to be the equivalents of cash. The Pension Trust Funds are authorized to invest in fixed income, equity securities and other types of investments. Also, the Private Purpose Trust Fund is authorized to invest in eight portfolios which are comprised of equities, balanced fund, and fixed income securities.

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 have a remaining maturity at the time of purchase of one year or less 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. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. 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 with such are reported as assets and as related liabilities for collateral received.

I. INVENTORY

Inventory reported in the governmental fund consists of materials and supplies held for consumption. Inventory on hand at year-end is stated at cost (generally using the weighted average method.) The District utilizes the consumption method to account for inventory whereby materials and supplies are recorded as inventory when purchased and as expenditures/expenses when they are consumed.

The inventories in the proprietary fund and discretely presented component units also consist of materials and supplies and are recorded at lower of weighted average cost or market.

J. RESTRICTED ASSETS

Certain governmental and proprietary funds, component units, and all fiduciary fund assets are restricted as to use by legal or contractual requirements. Any excess of restricted assets over liabilities payable from restricted assets is reported as part of the restricted net assets in the government-wide, proprietary, and fiduciary financial statements and as "reserved" fund balance in the governmental fund financial statements, to indicate the portion of the net assets or fund balance that is available for restricted purposes only. Restricted assets also represent cash deposited in bank accounts legally restricted for certain purposes such as the payment of bond principal and interest or the payment of fiscal charges on long-term debt.

K. PREPAID ITEMS AND DEFERRED CHARGES

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

In governmental funds, long-term debt premiums (discounts) and issuance costs are recognized in the current period as other finance sources (uses) and fiscal charges, respectively. In the government-wide financial statements, long-term debt premiums (discounts) and issuance costs are capitalized and amortized over the term of the related debts using the outstanding balance method.

L. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

M. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/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 is classified as "Due to/from primary government" and "Due to/from component unit" on the statement of net assets.

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 (governmental funds) and in the "Transfers" section in the statement of revenues, expenses, and changes in net assets (proprietary funds).

N. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and land improvements (infrastructure) such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items, are reported in the applicable governmental or business-type activities or component units columns in the government-wide financial statements and proprietary fund financial statements. All purchased capital assets are stated at cost when historical records are available and at estimated historical cost when no historical records exist. In the case of the initial capitalization of general infrastructure acquired prior to fiscal years ended after June 30, 1980, the District elected to include all such items regardless of their acquisition date.

Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated capital assets are stated at their estimated fair market value on the date received. The cost of maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Betterments are capitalized over the remaining useful lives of the related capital assets. For capitalized purchases in the governmental funds, expenditures are recorded in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

For assets constructed with long-term debt, interest is capitalized in the government-wide financial statements for business-type activities and proprietary funds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred on tax-exempt debt from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capitalization and Depreciation Policies

Capitalized assets have an original cost of $5 or more per unit. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives for capital assets are shown in **Table 1** by category.

Table 1 – Estimated Useful Lives (by Asset Category)

	Useful Life
Sewer Lines	45 years
Buildings	50 years
Equipment	5-12 years
Land Improvements	30-40 years

O. CAPITAL LEASES

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. COMPENSATED ABSENCES

Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Vacation (annual) leave may be accumulated up to 240 hours, regardless of the employee's length of service, while there is no limit to the amount of compensatory in-lieu-of paid overtime that may be accumulated.

Accrual

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

The District does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, however, unused sick leave can be used to determine employees' years of service. One month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System and in the District Retirement Program.

District employees earn sick leave credits that are considered termination payments at time of retirement. These credits are derived from unused sick leave hours not used for absences due to illness or other contingencies. The District estimates the sick leave liability based on the sick leave accumulated at fiscal year end by 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. Accumulated compensatory leave is reported in the government-wide financial statements and in the proprietary funds.

Q. LONG-TERM LIABILITIES

Under the District of Columbia Home Rule Act, as amended, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all general obligation debt to exceed 17% of the total local revenues of the then-current 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 (excluding revenue and debt of the Water and Sewer Authority, pursuant to the Home Rule Act.)

General obligation bonds, revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds or discretely presented component units are included in the accounts of such funds. All other long-term indebtedness of the District, such as disability compensation, compensated absences, employee separation incentives and accreted interest liabilities, which have been incurred but not financed, are reported in the government-wide financial statements. Such obligations are to be paid through the District's general fund.

The District pays principal on its 1994B Capital Appreciation Bonds (CABs) annually. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.00% to 6.65%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District pays principal on its 2002 Mandarin TIF Capital Appreciation Bonds (CABs) annually. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 4.26% to 5.91%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District pays principal on its 2006 Tobacco Capital Appreciation Bonds (CABs) annually. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.25% to 7.25%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. NEW ACCOUNTING STANDARDS ADOPTED

During the fiscal year ended September 30, 2008, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

Issued in July 2004, this statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach applied in this Statement is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, with modifications to reflect differences between pension benefits and OPEB. This statement provides guidance on financial statement and disclosure requirements for administrators or trustees of OPEB plan assets or employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues

Issued in September 2006, this Statement establishes criteria that governments will use to ascertain whether the proceeds of the sale of receivables or future revenues should be reported as revenue or as a liability. It also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenue, including residual interests and recourse provisions. The requirements of this Statement improve financial reporting by establishing measurement, recognition, and disclosure requirements that apply to both governmental and business-type activities. In FY08, the District had no financial transactions subject to the requirements of this statement.

Statement No. 50, Pension Disclosures

Issued in May 2007, this statement amends GASB Statements No. 25 and 27. The new guidance modifies the notes and required supplementary information (RSI) for pension benefits to make them more similar to information required for other postemployment benefits (OPEB). The changes for financial statements of pension plans include a requirement to present a schedule of funding progress as RSI even when a government uses the aggregate actuarial cost method. In this case the schedule of funding progress would be prepared using the entry age actuarial cost method. Also, the notes to the financial statements must include the current year's portion of the schedule of funding progress along with the disclosure of the actuarial methods and assumptions used in the preparation of the actuarial valuation.

S. NEW ACCOUNTING PRONOUNCEMENTS

Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations

Issued in November 2006, this Statement identifies the circumstances under which a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted. Liabilities and expenses would be estimated using "an expected cash flows" measurement technique, which is used by environmental professionals, but will be employed for the first time by governments. The Statement also requires state and local governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. The implementation of this Statement is effective for financial statements for periods beginning after December 2007, the District's fiscal year 2009.

Statement No. 51, Accounting and Financial Reporting for Intangible Assets

Issued in June 2007, this statement provides that intangible assets must possess the following characteristics:

- Lack of physical substance;
- Be non-financial in character, and
- Have an initial useful life extending beyond a single reporting period.

The Statement further provides that recognition of intangible assets is only appropriate when they are either separable (e.g. can be sold, transferred, or licensed) or represent contractual or other legal rights regardless of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

transferability or separability. The requirements are mandated to be effective for financial statements for periods beginning after June 15, 2009, the District's fiscal year 2010. Retroactive implementation is only required for intangible assets acquired in fiscal years ending after June 30, 1980. The District plans early implementation of this Statement.

Statement No. 52, Land and Other Real Estate Held as Investments by Endowments

Issued in November 2007, this statement requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This Statement is effective for financial statements for periods beginning after June 15, 2008, the District's fiscal year 2009.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

Issued in June 2008, this statement requires governments to measure most derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. This statement provides specific criteria to be used by governments to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges that are achieved with derivative instruments are to be recognized in the reporting period to which they relate. Changes in the fair value of these hedging derivative instruments do not affect current investment revenue, but are reported as deferrals in the statement of net assets or the balance sheet. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments for financial reporting purposes. Changes in fair value of those derivative instruments are reported as part of investment revenue in the current reporting period. This statement is effective for financial statements for reporting periods beginning after June 15, 2009, although earlier application is encouraged.

T. RESTRICTED NET ASSETS AND FUND BALANCE RESERVATIONS AND DESIGNATIONS

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as:

- *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* - This category presents net assets subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Non-expendable restricted net assets represent the portion of net assets that must be held in perpetuity in accordance with donor stipulations.
- *Unrestricted Net Assets* - This category represents net assets of the District not restricted for any project or other purpose.

It is the policy of the District to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The amount of fund balance that is available for future operations is presented as "unreserved." Reservations of fund balance represent amounts that are legally or statutorily identified for specific purposes or portions that are not appropriable for expenditure. These reserved fund balances are imposed by Congress of the United States. Designations of fund balance represent management's intent to fund future projects, but do not represent a legal or statutory requirement to do so.

As of September 30, 2008, the District had established the following fund balance reservations and designations and restricted net assets (see **Tables 48a and 48b** on pages 112 and 113):

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reservations

Reserve for Long-Term Assets - This portion of fund balance represents those long-term assets that are not available for appropriation and expenditure.

Reserve for Emergency and Contingency Cash Reserve Fund – This portion of fund balance represents amounts that, in accordance with legislative mandate, are held in an emergency and contingency cash reserve fund, to be used for unanticipated and non-recurring, extraordinary needs of an emergency nature.

Reserve for Debt Service–Bond Escrow - This portion of fund balance represents that portion of investments held in escrow that are available for future debt service obligations or requirements.

Reserve for Other Post Employment Benefits - This portion of fund balance is reserved to fund the District's share of retirees' health and life insurance costs.

Reserve for Subsequent Year's Expenditures - This portion of fund balance represents amounts to be used to finance certain non-recurring policy initiatives and other expenditures included in the FY 2009 budget approved by the District Council and Congress.

Reserve for Inventory - This portion of fund balance represents amounts not available for appropriation or expenditure because the underlying asset (inventory) is not an available financial resource for appropriation or expenditure.

Reserve for Budget - This portion of fund balance represents unused FY 2008 Budget Reserve amounts that are available until expended.

Reserve for Purpose Restrictions - This portion of fund balance represents resources from grants and other revenues with limitations on how the District may expend the funds.

Reserve for Charter School Enrollment Expansion - This portion of fund balance is restricted for the purpose of providing start-up costs for new charter schools.

Reserve for PILOT – This portion of fund balance is reserved for payment of future debt service associated with the Anacostia Waterfront Corporation PILOT revenue bonds.

Reserve for Capital Projects - This portion of fund balance is restricted for the purpose of executing capital projects.

Reserve for Tobacco Settlement - This portion of the District's fund balance is reserved for the purpose of paying future debt service and related expenses associated with the Tobacco Corporation's issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

Reserve for Tax Increment Financing Program - This portion of fund balance is restricted for debt service on Tax Increment Financing Bonds and Notes.

Reserve for Housing Production Trust Fund – This portion of fund balance is reserved to provide financial assistance to developers for the planning and production of low, very low, and extremely low income housing and related facilities.

Reserve for Community Healthcare – This portion of fund balance is reserved to promote healthcare and the delivery of healthcare-related services in the District.

Reserve for Baseball - This portion of fund balance represents the available resources for baseball stadium construction.

Reserve for Highway Projects - This portion of fund balance is restricted for the purpose of executing federal highway projects.

Designations

Designation for Other Post Employment Benefits - This designation of unreserved fund balance is set aside to fund the District's share of retirees' health and life insurance costs.

Designation for Integrated Service Fund – This designation of unreserved fund balance is set aside to fund interdisciplinary programs and services designed to meet the needs of at at-risk children, youth and their families.

Designation for Budget Support Act – This designation of unreserved fund balance is set aside for various non-lapsing accounts established in the budget support act, which is a local law.

Designation for the Healthy DC Fund – This portion of fund balance is designated to provide funds for the Healthy DC Program, which was established by the Department of Health Care Finance Establishment Act of 2007 (D.C. Law 17-109; 55 DCR 216).

Designation for Fixed Cost – This designation of unreserved fund balance is set aside for unexpended funds appropriated for fixed costs at the end of the fiscal year

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

pursuant to the Commodities Cost Reserve Fund Act of 2005.

Designation for Other Special Purposes - This designation of unreserved fund balance is for activities financed by fees and charges for services.

Restricted Net Assets

Restricted for Future Benefits - This portion of net assets represents the resources available for benefit payments from the Pension and Private Purpose Trust Funds.

U. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, employees may receive post-retirement healthcare and life insurance benefits. As of September 30, 2008, there were 4,121 pre-87 (Civil Service) and 13,755 post-87 (DC Defined Contribution) employees who are eligible for such benefits. The cost of providing such benefits to employees hired prior to October 1, 1987 is borne by the federal government and the District has no liability for this cost. Pursuant to the D.C. Code §1-622 employees hired after September 30, 1987, who subsequently retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code §1-623, these employees may convert their group life insurance to individual life insurance. The District therefore bears responsibility for the cost relating to employees hired after September 30, 1987. The District does not record a liability for its portion of the cost of post-retirement benefits but rather records such cost as expenses/expenditures when premiums are paid.

V. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District provides health and life insurance benefits to retirees first employed by the District after September 30, 1987. 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 those employees. The District pays 75% of the cost of health insurance, and 33% of the cost of life insurance, for eligible retirees. The District also pays 75% of the premium for retirees' spouse and dependent health insurance coverage. As of April 1, 2008, there were 298 retired Plan participants, consisting of 254 teachers, police, and firefighters, and 44 general District retirees. During fiscal year 2008, $3,183 was paid from the Plan for insurance carrier premiums and other administrative costs. Historically, the District funded the Plan on a pay-as-you-go basis, but began funding on an actuarial basis in fiscal year 2008.

W. USE OF ESTIMATES

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

X. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and governmental activities on the government-wide statement of net assets

The governmental funds balance sheet includes reconciliation between fund balances - total governmental funds, and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that certain liabilities are not reported under the modified accrual accounting basis including unearned revenue, but are reported in the government-wide financial statements. The difference of $59,331 between deferred revenue presented in the fund financial statements and unearned revenue presented in the government-wide statements is attributable to the modified accrual basis of accounting being used to recognize property tax revenues in the governmental funds. The accrual basis of accounting is used to record revenues in the government-wide financial statements. The resulting difference is a reconciling item.

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and governmental activities on the government-wide statement of activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The details of the $1,103,738 difference related to capital outlay are as follows:

Capital outlay capitalized	$	1,272,997
Less:		
Depreciation expense		(272,830)
Capital asset additions		129,293
Transfer and dispositions		(25,722)
Net Adjustment	**$**	**1,103,738**

Deferred property tax revenues which were earned but not currently available financial resources for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements. Such revenues decreased by $28,274 from fiscal year 2007 as a result of a change in the amount deferred in the governmental funds between 2007 and 2008.

The details of the $(583,100) difference related to capital debt are as follows:

Bonds issued	$	(1,337,640)
Equipment financing program		(36,480)
Premium on long-term debt		(36,282)
QZAB issued		(2,360)
PILOT Revenue Bonds		(158,450)
Less:		
G.O. Bonds current and advance refunding		671,610
Principal payments on G.O. bonds		213,645
Principal payment on other long term debt		32,419
Principal payment on equipment financing program		25,981
Principal payments on capital lease		7,465
Fiscal charges - net		14,454
Amortization of premium on long-term debt		22,538
Net Adjustment	**$**	**(583,100)**

The details of the $(112,883) difference related to the change in accrued liabilities and the net OPEB assets are as follows:

Annual leave	$	(24,491)
CAB interest accretion		(23,456)
Future disability benefits		(15,809)
Grant disallowances		(56,128)
Accrued interest		(5,066)
Claims and judgments		4,560
Net OPEB assets		7,507
Net Adjustment	**$**	**(112,883)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Y. BUDGETARY COMPARISON STATEMENT – RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following presents a GAAP basis reconciliation of the budgetary basis operating results as shown in the Budgetary Comparison Statement.

	GENERAL FUND	FEDERAL AND PRIVATE RESOURCES
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	$ 191,370	(39,106)
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	(129)	(143)
Transfers - other financing sources/uses	57,853	-
Accounts receivable allowance	(510)	-
Debt related adjustments	2,246	-
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(473,383)	(14,736)
State education loan program	-	3,934
Other	(5,782)	(404)
Entity differences:		
Operating cost from enterprise funds that are excluded on a budgetary basis	(20,943)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS	$ (249,278)	$ (50,455)

Z. RESTATEMENT AND SPECIAL ITEM

Component Units

In 2007, the District dissolved three component units, National Capital Revitalization Corporation (NCRC), Anacostia Waterfront Corporation (AWC), and Economic Development Finance Corporation (EDFC), and assumed the assets and liabilities of these entities. Beginning balances for component units have been restated and the net assets of NCRC, AWC and EDFC were transferred to the District's General Fund. The transfer of Net Assets is reported as a Special Item in the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds and the Statement of Activities. The total net assets amount of $174,908 was adjusted to $153,640 to reflect a write-off of an intra entity balance of $21,268.

In the financial statements for the years ended September 30, 2007 and 2006, the Housing Finance Agency received $6,123 and $3,854 respectively from HUD under the DCHA Modernization Program. The bonds issued under this program were collateralized with the HUD appropriations for DCHA, and the receipts from HUD are to be used for the payment of debt service due each July and January. The proceeds were first recorded in deferred revenue when received. However, the debt service

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

payments in 2007 and 2006 were not recorded against the deferred revenue and construction in progress resulting in understatement of revenues and overstatement of construction in progress in both years.

The effect for fiscal year 2008 was an understatement of $5,412 in opening net assets and overstatement in opening deferred revenue by the same amount. Thus, comparative 2007 financial statements were restated to reflect an increase in revenue by $3,573; decrease in deferred revenue by $9,977; decrease in construction in progress by $4,565; and increase in opening net assets by $1,839.

The effect of these component unit restatements is as follows:

October 1, 2007, as previously reported	$	1,689,894
Transfer of NCRC Net Assets		(134,959)
Transfer of AWC Net Assets		(29,237)
Transfer of EDFC Net Assets		(10,712)
Error due to Housing Finance Agency debt service		5,412
October 1, 2007, as restated	**$**	**1,520,398**

Proprietary Fund

During fiscal year 2008, the J. B. Johnson Nursing Center discovered it had incorrectly recorded insurance expense pertaining to 2007. The effect of the restatement is as follows:

October 1, 2007, as previously reported	$	418,339
Error related to insurance expense		66
October 1, 2007, as restated	**$**	**418,405**

NOTE 2. CASH AND INVESTMENTS

A. CASH

The District of Columbia follows the practice of pooling cash and cash equivalents for some of its governmental funds and component units in order to provide better physical custody and control of cash; to enhance operating efficiency; and to maximize investment opportunities. Of $3,505,884 within the custody of the District, in accordance with District policies, substantially all deposits as of September 30, 2008 were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2008, the carrying amounts of cash for the primary government and fiduciary funds were $3,242,126 and the bank balances were $3,152,690. The carrying amount of cash (deposits) for the component units was $263,758 and the bank balance was $263,477.

B. INVESTMENTS

District of Columbia laws authorize the Treasurer to invest funds in a manner that will provide preservation of principal and meet anticipated daily cash requirements of the District, while maximizing investment earnings. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective March 18, 1998. The District's current investment policy limits investments to obligations of the United States and agencies thereof, prime commercial paper, bankers' acceptances and repurchase agreements fully collateralized in obligations of the United States government and agency securities. During the fiscal year, the District's investments (other than those held by the Retirement Board) consisted primarily of money market funds and/or obligations backed by the United States government or its agencies. The Retirement Board is authorized to invest in a variety of investments including fixed income, equity securities and other types of investments. As prescribed in D.C. Code §1-907.01 (2001 Ed), the Board 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.

The District's investments and those of its discretely presented component units are subject to interest rate,

NOTE 2. CASH AND INVESTMENTS

credit, custodial credit, foreign currency and concentration of credit risks as described below:

- *Interest Rate Risk* - The District reduces its exposure to fair value losses arising from rising interest rates by diversifying its portfolio of investments. During the fiscal year, the District's investments, other than those held by the Retirement Board, were in U.S. government and agency securities, corporate securities, and money market funds with original maturities of 90 days or less. The Retirement Board's fixed income managers must construct and actively manage a portfolio of fixed income and related securities that maintains a weighted average duration within +/-2 years of the duration of the fixed income benchmark.

- *Credit Risk* - The District invests in obligations of the United States government agency securities, corporate securities, and prime commercial paper rated A-1 by Standard and Poor's Corporation or Prime-1 by Moody's, banker's acceptances, and repurchase agreements. During the fiscal year, the District's investments (other than those held by the Retirement Board) were limited to U.S. government and agency securities and money market funds with original maturities of 90 days or less. For the Retirement Board, fixed income managers are permitted to invest in eligible long-term instruments rated investment grade (top four ratings) by nationally recognized rating organizations.

- *Custodial Credit Risk* – Custodial credit risk occurs in the event that investment securities are uninsured and/or not registered in the name of the government, and there is failure of the counterparty. In such a case, the government will not be able to recover the value of its investments or collateral securities held in the possession of an outside party. The District had no custodial credit risk exposure during the fiscal year. The District collateralized all required investments during fiscal year 2008. All collateral for investments is held in the District's name by the Federal Reserve in a custodial account. Any funds not invested at the end of the day are placed in overnight investments in the District's name.

- *Foreign Currency Risk* - As a general policy of the Retirement Board, investment managers with authority to invest in issuers denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the foreign currency markets. Because the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

- *Concentration of Credit Risk* – The District's investment policy does not allow for an investment in any one institution that is in excess of five percent of the District's total investment.

Asset Impairment

At September 30, 2008, the District recognized an impairment loss totaling $8,263 related to its investment in certain mortgage-backed securities, in the aggregate.

The purchase cost and market value of these securities, in the aggregate, were $35,753 and $27,490, respectively. The total value of the mortgage-backed securities is 1% of the total investment holdings. Market values for the mortgage-backed securities are based on pricing provided by an independent valuation service.

The District has determined this impairment to be other than temporary because the decline in value has existed for an extended period of time, and is directly related to adverse conditions that are specific to these securities (among other securities in the marketplace). Various dynamics in the credit-market environment and the illiquidity of mortgage-backed securities have resulted in declines in the market values of these securities. The District has no current plans to sell these securities. The District expects to continue to receive timely principal and interest payments on these securities, and most of them are rated in the highest rating category (AAA). As such, the District may recoup some or all of the impairment amount.

NOTE 2. CASH AND INVESTMENTS

Table 2a – Cash and Investments Detail

	Total Carrying Value		
INVESTMENTS			
Primary Government:			
U. S. government securities	$ 25,976		
Corporate securities	54,822		
Mutual funds	122,158		
Total Primary Government		$	202,956
Fiduciary Funds:			
Pension trust funds investments held by Board's agent in Board's name:			
Equity securities	2,569,239		
Fixed income securities	714,091		
Real estate	283,936		
Private equity	497,068		
Private purpose trust funds investments	101,807		
Total Fiduciary Funds			4,166,141
Component Units:			
U. S. government securities	339,736		
Corporate securities	79,352		
Investment contracts	382,966		
Mutual funds	266,253		
Total Component Units			1,068,307
Total reporting entity investments		$	5,437,404
CASH BALANCES			
Primary government		$	3,036,836
Fiduciary Funds			205,290
Component units			263,758
Total cash balances		**$**	**3,505,884**

Table 2b – Reconciliation of the District's deposit and investment balances

Total investments per Table 2a	$	5,437,404
Total cash balances		3,505,884
Total	$	**8,943,288**

	Exhibit 1-a	Exhibit 4-a	Total
Cash and cash equivalents	$ 666,089	$ -	$ 666,089
Investments	181,932	-	181,932
Cash and cash equivalents (restricted)	2,634,505	205,290	2,839,795
Investments (restricted)	1,089,331	4,166,141	5,255,472
Total	**$ 4,571,857**	**$ 4,371,431**	**$ 8,943,288**

NOTE 2. CASH AND INVESTMENTS

Derivative Financial Instruments

Interest Rate Swap Agreements

Objectives

Part of the District's debt strategy is to have a diversified portfolio of fixed-rate and variable-rate debt to take advantage of market fluctuations. In order to manage its exposure to interest rates, the District has executed Interest Rate Swap Agreements in connection with existing or proposed debt issuances as discussed below.

Terms

2004B Swap

On December 8, 2004, the District entered into a series of floating-to-fixed rate swaps in connection with its $38,250 General Obligation Bonds, Series 2004B (2004B Swap). The original total notional amount of the swaps was $38,250. Under the terms of the swaps, scheduled to terminate in 2014, 2015, 2016 and 2020, the District pays fixed-rates of 4.598%, 4.701%, 4.794% and 5.121%, respectively, and receives variable rate payments equivalent to the Consumer Price Index (CPI) published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor. The notional value of the swap and the principal amount of the associated debt service begin to decline in fiscal year 2014.

2002D Swap

On October 31, 2002, the District entered into a floating-to-fixed rate swap in connection with its $124,995 Multimodal General Obligation Refunding Bonds, Series 2002D (2002D Swap). The original notional amount of the swap was $124,995. Under the terms of the swap, scheduled to terminate in 2031, the District pays a fixed-rate of 3.617% and receives variable rate payments equivalent to the Bond Market Association Municipal Swap Index (BMA) until December 1, 2004 and at 67% of LIBOR thereafter. The notional value of the swap and the principal amount of the associated debt service begin to decline in fiscal year 2015.

2002B Swap (2008C Swap)

On October 15, 2002, the District entered into a floating-to-fixed rate swap in connection with its $224,300 Multimodal General Obligation Bonds, Series 2002B (2002B Swap). The original notional amount of the swap was $224,300. Under the terms of the swap, scheduled to terminate in 2027, the District pays a fixed-rate of 3.615% and receives variable rate payments equivalent to BMA until December 1, 2004 and at 67% of LIBOR thereafter. The notional value of the swap and the principal amount of the associated debt service begin to decline in fiscal year 2020.

2001C/D Swap

On December 6, 2001, the District entered into a floating-to-fixed 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). The original notional amount of the swap was $283,870. Two firms, Bear, Stearns & Co. Inc. (Bear Stearns) and UBS AG (UBS AG), negotiated the split of this swap transaction. As a result, Bear Stearns and UBS AG received 62.5% and 37.5% of the notional amount of the swap, respectively. Under the terms of the swap, scheduled to terminate in 2029, the District pays a fixed-rate of 4.004% and receives variable rate payments equivalent to BMA until June 2, 2003 and at 67% of LIBOR thereafter. The notional value of the swap and the principal amount of the associated debt service began to decline in fiscal year 2003.

On June 2, 2003, the District entered into an enhanced interest rate swap agreement for the 2001C/D Bond issue (2001C/D Enhanced Swap). Based on the 2001C/D Enhanced Swap, 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 purpose of this swap is to reduce the basis risk to the District by providing a closer match between the District underlying variable rate bonds and the variable rate swap receipt from the counterparty. Only the net difference in interest payments is actually exchanged between the counterparties.

1992A/2001A Swap

On March 26, 1992, the District entered into a floating-to-fixed rate swap in connection with its $299,800 General Obligation Variable Rate Refunding Bonds, Series 1992A (1992A/2001A Swap). The 1992A Bonds were refunded by the District's $114,150 Multimodal General Obligation Refunding Bonds, Series 2001A. The original notional amount of the swap was $299,800. Under the terms of the swap, which matured in October 2007, the District paid a fixed-rate of 6.02% and received variable rate payments equivalent to the J.J. Kenny Index. The notional value of the swap and the principal amount of the associated debt service began to decline in fiscal year 1992.

NOTE 2. CASH AND INVESTMENTS

2006 NCRC Swap

On February 6, 2006, the National Capital Revitalization Corporation (NCRC) entered into an interest rate cap agreement with SMBC Derivative Products Limited, in connection with the bonds issued ("the Bonds") for the construction of a parking garage under which NCRC, in return for payment of a premium, will receive payments from the counterparty in an amount by which the interest rate on the NCRC Bonds exceeds 8.57%. The notional amount is equal to the principal amount of the NCRC Bonds. Since the issuance of the NCRC Bonds, the District has, pursuant to statute, in 2007 abolished NCRC and assumed their assets and obligations, including the payment of the NCRC Bonds, from the specific revenue streams pledged as security for the Bonds.

2007 AWC Swap

In connection with the issuance of the AWC Bonds in September 2007, the AWC entered into a swap agreement with Wachovia Bank, N.A. which has a current notional amount of $111,550 and provides for a fixed rate payment by the District at 4.46%. The AWC also entered into a floating to fixed interest rate swap with Wachovia Bank, N.A., under which the AWC pays a fixed rate and receives a variable rate which matches the rate on the bond purchased by Wachovia Bank, N.A. The notional amount of the swap is equal to the principal amount of the AWC Bonds. In 2007, the District abolished AWC and assumed the organization's assets and obligations, including the payment of AWC bonds.

2008C Swap

On May 21, 2008 the District issued the Series 2008C Bonds to refund the District's Series 2002B Bonds. The swap agreement entered into by the District in connection with the Series 2002B Bonds (the 2002B Swap) was, for federal tax purposes, identified on the District's books with the Series 2002B Bonds. While the issuance of the Series 2008C bonds resulted in the deemed termination of the 2002B Swap for federal tax purposes, the 2002B Swap has not actually been terminated by the District and remains in effect for the Series 2008C Bond.

Fair Market Value

As of September 30, 2008, the 2001C/D, 2002D, and 2004B Swaps, the 2006 NCRC Swap, the 2007 AWC Swap and the 2008C Swap had fair market values as shown in **Table 3**:

Table 3 – Swap Fair Market Values

Swaps Fair Market Values	
2004B Swaps	$(2,050)
2002D Swap	(8,308)
2008C Swap	(16,372)
2001C/D (Enhanced Swap)	(2,113)
2001C/D (Bear Stearns)	(14,021)
2001C/D (UBS AG)	(8,664)
2006 NCRC Swap	29
2007 AWC Swap	(2,580)
Total	**$(54,079)**

The market value was provided by the counterparty to each respective swap and confirmed by the District's Financial Advisor, Phoenix Capital Partners, LLP.

Credit Risk

The fair market values of the swaps represent the District's obligation to the respective counterparties if the swaps were terminated. As of September 30, 2008, the District was exposed to minimal credit risk of $29 because a portion of the swaps had a positive fair value. For the most part, however, the District was not exposed to credit risk because the swaps had a negative fair value. Should the counterparties to these transactions fail to perform according to the terms of their applicable swap contracts, the District faces a maximum possible loss equivalent to the fair market value of the swaps in the aggregate, which was $(54,079) at the close of fiscal year 2008. Standard & Poor's and Moody's rated the counterparty to each swap as of September 30, 2008. as presented in **Table 4.**

Table 4 – Swap Counterparty Credit Ratings

Swap	Counterparty	Credit Rating
2004B	Bear Stearns Capital Markets*	Aa2/AA-/AA-
2002D	Lehman Brothers Commercial Bank**	B3/NR/BB
2008C	Morgan Stanley	A1/A+/AA-
2001C/D	Bear Stearns Financial Products*	AAA
2001C/D	UBS AG	Aa2/AA-/AA-
2001C/D	Bear Stearns Financial Products*	AAA
2006 NCRC	Sumitomo Bank	AAA/Aaa/NR
2007 AWC	Wachovia Bank	A1/BBB/A+

NOTE 2. CASH AND INVESTMENTS

* **Bear Stearns Merger**. Although Bear, Stearns & Co. Inc., parent of the counterparty, was acquired by JPMorgan Chase & Co., the counterparty continues to exist and acts in the same role under the related interest rate swap agreement. However, the District is in the process of novating the swap agreements to JP Morgan Chase Bank, N.A. which is currently rated Aaa/AA/AA-. This novation will not affect any of the terms of the original swap agreements.

****Lehman Brothers Commercial Bank**. The District is in the process of replacing Lehman Brothers Commercial Bank with a highly rated counterparty with a minimum rating in the "A" category.

Basis Risk

The District is subject to basis risk if the variable payment received from the counterparty does not equal the rate on the bonds.

Termination Risk

The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement defines an "additional termination event." That is, the swap may be terminated if the 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,Baa2, or higher as determined by Moody's Investors Service, Inc., (ii) BBB-, BBB, or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc., or (iii) an equivalent investment grade rating determined by a nationally recognized rating service acceptable to both parties.

Swap Payments and Associated Debt

Using interest rates as of September 30, 2008, principal and interest requirements of the fixed-rate debt and net swap payments are shown in **Table 5**. As rates vary, net swap payments will vary. As the principal on the variable rate bonds matures, each swap's notional amount likewise diminishes, or amortizes as well.

Table 5 – Swaps Interest Requirements

	Governmental Activities			
	General Obligation			
Primary Government	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
Year Ending September 30				
2009	$ 7,350	$ 45,405	$ 6,159	$ 58,914
2010	7,635	44,837	6,058	58,530
2011	7,945	44,248	5,953	58,146
2012	27,660	43,634	5,844	77,138
2013	8,370	41,497	5,464	55,331
2014-2018	98,395	190,071	26,751	315,217
2019-2023	233,950	138,834	20,918	393,702
2024-2028	225,865	44,655	6,824	277,344
2029-2033	15,815	2,099	291	18,205
Total	**$ 632,985**	**$ 595,280**	**$ 84,262**	**$ 1,312,527**

Retirement Board Derivatives

In accordance with the policies of the Retirement Board and pursuant to D. C. Code § 1-741(a)(2)(C), during 2008, the Pension Trust Funds held certain derivative investments to increase potential earnings or to hedge against potential losses. Derivative investments are defined as financial instruments, the values of which depend on or are derived from the value of an underlying asset, reference rate, or index. Derivative investments often contain exposure to market risk resulting from fluctuations in interest and currency exchange rates or changes in the price or principal value of a security. The investment credit risk results from the creditworthiness of the counterparties to the contracts and, for asset-backed securities and collateralized mortgage obligations, the creditworthiness of the related consumers and mortgages. The Retirement Board maintains that all contracts are legally permissible in accordance with its policy.

NOTE 2. CASH AND INVESTMENTS

In fiscal year 2008, these derivatives included asset-backed securities (ABS), collateralized mortgage-backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed security contracts (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, and warrants.

The Pension Trust Funds used ABS, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABS and mortgage-backed pools and securities offer higher potential yields than comparable duration U. S. Treasury Notes with higher credit and market risks. CMOs also offer higher potential yields than comparable duration U. S. Treasury Notes, with higher market risks, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset backed and mortgage backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Pension Trust Funds invested in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Pension Trust Funds also invested in stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs (sometimes referred to as "dollar rolls") are used by the Pension Trust Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs are used because they are expected to behave the same in duration and convexity as mortgage-backed securities with identical credit, coupon, and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forward and futures contracts and foreign currency options are used by the Pension Trust Funds for defensive purposes. These contracts hedge a portion of the Pension Trust Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels are expected.

Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the Pension Trust Funds. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of A1 or P1 or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Equity index futures were also used by the Pension Trust Funds in order to gain exposure to equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures may pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the Pension Trust Funds. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by dealing with member firms of the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the Pension Trust Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Warrants are used by the Pension Trust Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings.

The Pension Trust Funds also hold derivative investments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

NOTE 2. CASH AND INVESTMENTS

At September 30, 2008, the Pension Trust Funds' portfolio included $371,803 of derivative investments, or 9.67% of the pension investment portfolio. The proportion of derivative investments varied at times throughout the year.

Derivative investments by type at September 30, 2008 are shown in **Table 6.**

Table 6 – Derivative Investments by Type

Derivative Instrument Type		
Asset-backed securities	$	20,983
Collateralized mortgage obligations		48,573
Mortgage-backed security pools and securities		291,833
Structured and inflation index bonds		14,181
Total Return Swaps, net		(2,625)
Options		(1,142)
Total Derivatives	**$**	**371,803**

C. SECURITIES LENDING

During fiscal year 2008, the master custodian, at the direction of the Retirement Board, loaned the Retirement Funds equity and fixed income securities and received collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable letters of credit issued by a bank insured by the FDIC. The collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers were required to deliver and maintain collateral for each loan in an amount equal to (i) at least 102% of the market value of the loaned securities in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality D Fund).

Because the Quality D Fund does not meet the requirements of Securities and Exchange Commission Rule 2a-7 of the Investment Company Act of 1940, the master custodian has valued the Fund's investments at fair value for reporting purposes.

The Quality D Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality D Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' position in the Quality D Fund is not the same as the value of the Pension Trust Funds' shares.

There was no involuntary participation in an external investment pool by the Quality D Fund and there was no income from one fund that was assigned to another fund by the master custodian during fiscal year 2008.

During fiscal year 2008, the Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2008.

The Quality D Fund invests cash collateral from loans of U.S. and non-U.S. equities, U.S. corporate fixed income securities, U.S. Government securities and sovereign debt. It had a weighted average maturity of 33.94 days and an average expected maturity of 359.20 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines. On September 30, 2008, the Board had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the Board was $468,962 and $466,265, respectively, as of September 30, 2008.

NOTE 2. CASH AND INVESTMENTS

The collateral held is included in cash and investments shown in Table 2a and Exhibit 4-a, and the securities on loan are reported at their carrying amounts also in Table 2a and Exhibit 4-a.

During fiscal year 2008, the Master Trust's gross earnings from securities lending transactions totaled $21,347. The income (net of amortization and accretion), the net realized/unrealized gain attributable to discount and premium, and the net increase in net assets resulting from operations totaled $24,289, $1,185, and $22,624 respectively, in 2008. The Fund's share of collateral from securities lending transactions and obligations under securities lending both totaled $468,962 at September 30, 2008. Net securities lending income totaled $5,108 in fiscal year 2008.

NOTE 3. RESTRICTED ASSETS

At September 30, 2008, restricted assets of the primary government, component units, and fiduciary funds totaled $8,095,267 as summarized in **Table 7**.

Table 7 – Summary of Restricted Assets

The bond escrow accounts include bond escrow for capital lease payment of $28,901.

	Governmental Funds/Governmental Activities					
	General	**Federal & Private Resources**	**General Capital Improvements**	**Baseball**	**Non-Major**	**Total**
Bond Escrow Accounts	$ 209,496	$ -	$ -	$ -	$ -	$ 209,496
Public Transportation	-	-	995,215	-	24,203	1,019,418
Emergency Cash Reserves	330,238	-	-	-	-	330,238
Others	220,181	114,116	-	30,488	342,219	707,004
Total	$ 759,915	$ 114,116	$ 995,215	$ 30,488	$ 366,422	$ 2,266,156

	Proprietary Funds/Business-Type Activities					
	Lottery & Games	**Unemployment Compensation**	**Nonmajor**	**Total**	**Fiduciary Funds**	**Component Units**
Bond Escrow Accounts	$ -	$ -	$ -	$ -	$ -	960,739
Unpaid Prizes	41,379	-	-	41,379	-	-
University Endowment	-	-	-	-	-	31,103
Benefits	-	422,799	-	422,799	4,371,431	-
Other	-	-	1,660	1,660	-	-
Total	$ 41,379	$ 422,799	$ 1,660	$ 465,838	$ 4,371,431	$ 991,842

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in **Table 8.**

Table 8 – Receivables

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Nonmajor Proprietary Fund	Fiduciary Funds
Gross Receivable									
Taxes	$ 418,581	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	-	-	-	-	171	-	-	-	-
Accounts	265,464	279,422	7,667	363	32,844	7,098	19,245	9,932	15,356
Federal	12,947	338,794	28,771	-	-	-	-	-	-
Total gross receivable	**696,992**	**618,216**	**36,438**	**363**	**33,015**	**7,098**	**19,245**	**9,932**	**15,356**
Less-allowance for uncollectibles	291,625	176,920	6,136	-	-	-	11,637	2,934	-
Total net receivable	**$ 405,367**	**$ 441,296**	**$ 30,302**	**$ 363**	**$ 33,015**	**$ 7,098**	**$ 7,608**	**$ 6,998**	**$ 15,356**

B. INTERFUND TRANSFERS

Table 9 shows a summary of interfund transfers for the fiscal year ended September 30, 2008.

Table 9 – Summary of Interfund Transfers

TRANSFER FROM (OUT)	TRANSFER TO (IN)	PURPOSE	AMOUNT
General Fund	Highway Trust Fund	Motor fuel taxes dedicated to the Highway Trust Fund	$ 41,898
Lottery and Games	General Fund	DC Lottery and Games excess revenues, after operating cost, to the General Fund	70,300
General Fund	Capital Projects	PAYGO - Capital Projects Financed by the General Fund	61,737
General Fund	Capital Projects	Taxes imposed for capital projects	78,220
General Fund	Baseball Special Revenue	Taxes imposed for the Baseball Stadium Project	49,140
General Fund	Tax Increment Financing Program	Tax imposed to pay debt service on economic development tasks	17,739
Baseball Special Revenue	Baseball Debt Service	Funds for debt service payments	30,053
Baseball Special Revenue	Baseball Capital Project	Funds for capital expenses	49,981
General Fund	HPTF - Special Revenue Fund	Housing Production Trust Fund	68,077
General Fund	Tax Increment Financing Program	Community Benefit Fund	6,896
Federal and Private Resources	General Fund	Reimburse General Fund Expenses	3,788
		TOTAL INTERFUND TRANSFERS	**$ 477,829**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Due to/due from and interfund receivable and payable balances for each fund and individual component unit at September 30, 2008 are shown in **Table 10**.

Table 10 – Summary of Due To /Due From and Interfund Balances

	Primary Government/ Component Units		Interfund	
Fund or Component Unit	**Receivables**	**Payables**	**Receivables**	**Payables**
General	$ 14,339	$ 12,456	$ 432,253	$ 55,250
Federal & Private Resources	-	-	11,138	193,553
General Capital Improvements	-	-	-	209,466
Capital Projects, Highway Trust Fund	-	-	4,934	-
Capital Projects, Baseball Fund	-	10,691	-	-
Baseball Special Revenue	-	-	4,202	-
Housing Production Trust Fund	-	-	39,087	28,131
Nursing Homes - Nonmajor Proprietary	-	-	402	-
Unemployment Compensation	-	-	-	11,138
Pension/OPEB Trust Funds	-	-	557	1,103
Agency Fund	-	-	6,085	17
Water and Sewer Authority	4,851	-	-	-
Sports and Entertainment Commission	10,691	4,487	-	-
Washington Convention Center	7,605	-	-	-
University of the District of Columbia	-	9,852	-	-
Total	$ **37,486**	$ **37,486**	$ **498,658**	$ **498,658**

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2009.

NOTE 5. CAPITAL ASSETS

Capital Outlays

Capital outlays totaled $1,390,415 for the fiscal year ended September 30, 2008, which are reported in the General Capital Improvements, Baseball Capital Project and Nonmajor Governmental Funds. As construction progresses, the cumulative expenditures are capitalized as construction in progress in the Governmental Activities column of the Government-Wide Financial Statements. Upon completion of the project, the balance in the Construction in Progress account is transferred to an appropriate descriptive capital asset account such as building, equipment, or infrastructure.

Impaired Capital Assets

Beginning in FY 2006 through FY 2008, 27 District public schools have been closed by public school administrators. During FY 2008, R.H. Terrell Jr. HS was razed, with plans for it to be rebuilt. The carrying value of the R.H. Terrell building, amounting to $1,973, was recognized as an impairment loss at September 30, 2007.

In FY 2008, public school administrators implemented a revised School Consolidation Plan requiring additional school closures. The purpose of the Consolidation Plan was to right-size the school-system and eliminate costs associated with maintaining excess facilities. Thirteen school closures resulted in temporary impairment, therefore, the value of these temporarily impaired assets was not written down as of September 30, 2008. The remaining 14 school closures resulted in permanent asset impairment for which the District has reported impairment losses totaling $24,328, shown as part of Public Education expenses in the Government-wide statement of activities presented on page 47. At September 30, 2008, the carrying value of idle facilities, including both permanently and temporarily impaired assets, was $32,247.

Table 11 presents the permanently impaired assets and the impairment losses associated with the school closures.

In addition, the District of Columbia Library (Library) is in the process of rebuilding four neighborhood libraries-Anacostia, Benning, Tenley-Friendship, and Watha T. Daniel-Shaw. The old buildings have been razed, which resulted in a permanent impairment loss of $697. Library services currently are being provided by interim facilities in the four impacted neighborhoods. Construction of the four new libraries is scheduled to begin in late summer 2008 and should be completed by the end of 2009. The new libraries will open their doors to the public in the spring of 2010.

Table 11 – Public School Closures and Resulting Impairment Losses

School	Impairment Loss	Carrying Value at 9/30/08
Bertie Backus MS *	$ -	$ 932
Bell Vocational HS	4,980	-
Benning ES	1,641	-
Clark ES	2,098	-
H.D. Woodson HS	8,116	-
Hine JHS *	-	809
J.F. Cook ES	1,667	-
M. M. Washington Career HS *	-	1,065
Rudolph ES *	-	483
Slowe ES	2,742	-
Stevens ES *	-	148
Taft School	3,084	-
Van Ness ES*	-	122
Young ES *	-	315
Total	**$ 24,328**	**$ 3,874**

* Note : Because these impaired assets will no longer be used by the District, they have been recorded at the lower of carrying value or fair value. The District has determined that no valuation adjustment was necessary.

NOTE 5. CAPITAL ASSETS

A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS

Table 12 presents the changes in the governmental activities capital assets by category for the primary government:

Table 12 - Changes in the Governmental Activities Capital Assets by Asset Class

Asset Class	Balance October 1, 2007	Additions	Transfers/ Dispositions (See Note)	Transfers from CIP	Balance September 30, 2008
Non-depreciable:					
Land	$ 219,920	$ 91,468	$	$ -	$ 311,388
Construction in progress	1,852,762	1,272,997	(28)	(1,291,686)	1,834,045
Total non-depreciable	**2,072,682**	**1,364,465**	**(28)**	**(1,291,686)**	**2,145,433**
Depreciable:					
Infrastructure	3,450,678	2,893		223,248	3,676,819
Buildings	2,700,131	9,753	(50,854)	985,245	3,644,275
Equipment	1,052,624	25,180	(19,064)	83,193	1,141,933
Total depreciable	**7,203,433**	**37,826**	**(69,918)**	**1,291,686**	**8,463,027**
Less accumulated depreciation for:					
Infrastructure	(1,566,283)	(90,046)	-	-	(1,656,329)
Buildings	(1,020,458)	(58,046)	25,780	-	(1,052,724)
Equipment	(549,476)	(124,738)	18,444	-	(655,770)
Total accumulated depreciation	**(3,136,217)**	**(272,830)**	**44,224**	**-**	**(3,364,823)**
Total depreciable, net	**4,067,216**	**(235,004)**	**(25,694)**	**1,291,686**	**5,098,204**
Net governmental activities capital assets	**$ 6,139,898**	**$ 1,129,461**	**$ (25,722)**	**$ -**	**$ 7,243,637**

Note: Transfers/Dispositions includes impairment loss totaling $24,328.

B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY FUNCTION

Table 13 presents the changes in the governmental activities capital assets by function for the primary government:

Table 13- Governmental Activities Capital Assets by Function

Function	Balance October 1, 2007	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2008
Governmental direction and support	$ 764,871	$ 1,930	$ (277)	$ 714,175	$ 1,480,699
Economic development and regulation	102,614	105,141	(52)	38,822	246,525
Public safety and justice	649,836	13,061	(10,300)	18,603	671,200
Public education system	1,228,353	8,420	(59,289)	260,120	1,437,604
Human support services	650,827	100	-	23,636	674,563
Public works	4,026,852	642	-	236,330	4,263,824
Construction in progress (CIP)	1,852,762	1,272,997	(28)	(1,291,686)	1,834,045
Total	**$ 9,276,115**	**$ 1,402,291**	**$ (69,946)**	**$ -**	**$ 10,608,460**

NOTE 5. CAPITAL ASSETS

C. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

A summary of changes in governmental activities capital assets accumulated depreciation by function for the primary government is shown in **Table 14**.

Table 14 – Governmental Activities Capital Assets Accumulated Depreciation By Function

Function	Balance October 1, 2007	Additions	Transfers/ Dispositions	Balance September 30, 2008
Government direction and support	$ 267,715	$ 87,092	$ (279)	$ 354,528
Economic development and regulation	27,792	3,555	(52)	31,295
Public safety and justice	281,856	27,055	(9,868)	299,043
Public education system	495,084	31,119	(34,025)	492,178
Human support services	288,011	13,630	-	301,641
Public works	1,775,759	110,379	-	1,886,138
Total	**$ 3,136,217**	**$ 272,830**	**$ (44,224)**	**$ 3,364,823**

D. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

Business-Type Activities Capital Assets are presented in **Table 15**.

Table 15 - Business-Type Activities Capital Assets

Asset Class	Balance October 1, 2007	Additions	Dispositions/ Adjustments	Balance September 30, 2008
Lottery:				
Depreciable:				
Equipment	$ 3,371	$ 192	$ -	$ 3,563
Total	**3,371**	**192**	-	**3,563**
Nonmajor business-type				
Non-depreciable:				
Land	1,264	-	-	1,264
Depreciable:				
Building	46,023	1,564	(54)	47,533
Equipment	5,483	186	-	5,669
Total Depreciable, nonmajor business-type	**51,506**	**1,750**	**(54)**	**53,202**
Total Business-Type	**56,141**	**1,942**	**(54)**	**58,029**
Less: accumulated depreciation for:				
Equipment	(6,310)	(500)	-	(6,810)
Building	(32,620)	(1,852)	-	(34,472)
Total accumulated depreciation	(38,930)	(2,352)	-	(41,282)
Net capital assets	**$ 17,211**	**$ (410)**	**$ (54)**	**$ 16,747**

NOTE 5. CAPITAL ASSETS

E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS

A summary of capital assets by class for the discretely presented component units is shown in **Tables 16 and 17**.

Table 16 - Capital Assets by Class for the Discretely Presented Component Units

Asset Class	Balance October 1, 2007 Restated	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2008
Land	$ 12,889	$ -	$ -	$ -	$ 12,889
Utility plant	2,533,091	7,408	(2,859)	339,823	2,877,463
Buildings	977,996	9,075	(958)	-	986,113
Equipment	164,929	2,174	(2,830)	12,964	177,237
Artwork	2,741	-	-	-	2,741
Construction in progress	528,695	254,240	-	(352,787)	430,148
Total	**4,220,341**	**272,897**	**(6,647)**	-	**4,486,591**
Less:accumulated depreciation for					
Utility plant	(714,588)	(44,053)	2,824	-	(755,817)
Buildings	(241,838)	(30,986)	603		(272,221)
Equipment	(132,749)	(17,360)	2,801	-	(147,308)
Total accumulated depreciation	(1,089,175)	(92,399)	6,228	-	(1,175,346)
Net Capital Assets, restated	**$ 3,131,166**	**$ 180,498**	**$ (419)**	**$ -**	**$ 3,311,245**

Table 17 - Capital Assets by Component Unit

Component Units	Balance October 1, 2007 Restated	Additions	Transfers/ Dispositions	Balance September 30, 2008
University of the District of Columbia	$ 175,000	$ 9,621	$ (223)	$ 184,398
Washington Convention Center	850,798	1,840	-	852,638
Water and Sewer Authority	3,126,133	260,976	(4,661)	3,382,448
Sports and Entertainment Commission	63,048	92	(1,763)	61,377
Housing Finance Agency	5,362	368	-	5,730
Total capital assets, restated	**4,220,341**	**272,897**	**(6,647)**	**4,486,591**
Less-accumulated depreciation for:				
University of the District of Columbia	(111,263)	(5,310)	223	(116,350)
Washington Convention Center	(131,764)	(27,699)	-	(159,463)
Water and Sewer Authority	(802,383)	(54,418)	4,597	(852,204)
Sports and Entertainment Commission	(40,885)	(4,770)	1,408	(44,247)
Housing Finance Agency	(2,880)	(202)	-	(3,082)
Total accumulated depreciation	(1,089,175)	(92,399)	6,228	(1,175,346)
Net component units capital assets, restated	**$ 3,131,166**	**$ 180,498**	**$ (419)**	**$ 3,311,245**

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table 18.**

Table 18 – Construction in Progress by Function

Function and Subfunction	Number of Projects	Authorizations	Expenditures: Prior Year	Expenditures: Current Year	Expenditures: Transfers from CIP/Disposition	Expenditures: Total	Unexpended Balance
PRIMARY GOVERNMENT							
Governmental Direction and Support							
Legislative	3	$ 15,639	$ 3,376	$ 714	$ 3,670	$ 420	$ 15,219
Finance	4	46,814	670	3,896	445	4,121	42,693
Personnel	1	426	8,356	46	8,402	-	426
Administrative	112	935,006 (a)	156,815	119,172	92,911	183,076	751,930
Total	120	997,885	169,217	123,828	105,428	187,617	810,268
Public Safety and Justice							
Police	6	53,342	777	4,021	1,829	2,969	50,373
Medical Examiner	2	183,387	5,352	8,858	587	13,623	169,764
Fire	25	97,746	39,067	4,909	3,777	40,199	57,547
Corrections	6	38,893	10,227	1,001	4,383	6,845	32,048
Courts	0	-	-	-	-	-	-
Total	39	373,368	55,423	18,789	10,576	63,636	309,732
Economic Development and Regulation							
Zoning	1	863	316	-	-	316	547
Housing and Comm. Dev.	6	70,828	22,833	5,836	2,840	25,829	44,999
Baseball Stadium	1	629,871 (a)	451,766	178,105	629,871	-	-
Planning & Econ. Dev.	3	36,167	496	35,036	35,036	496	35,671
Total	11	737,729	475,411	218,977	667,747	26,641	81,217
Public Education System							
Libraries	13	128,850	5,364	11,316	-	16,680	112,170
Public Education System	74	1,828,695	436,907	451,608	260,113	628,402	1,200,293
Total	87	1,957,545	442,271	462,924	260,113	645,082	1,312,463
Human Support Services							
Health and Welfare	10	62,540	34,416	25,685	7,992	52,109	10,431
Human Services	3	10,278	8,572	435	722	8,285	1,993
Youth Rehabilitation Services	1	30,491	4,092	25,674	-	29,766	725
Aging	2	18,051	9,233	2,047	9,183	2,097	15,954
Mental Health Services	12	326,480	99,098	94,503	-	193,601	132,879
Recreation	18	322,689	91,502	29,802	5,352	115,952	206,737
Total	46	770,529	246,913	178,146	23,249	401,810	368,719
Public Works							
Environmental	134	535,212	463,527	270,305	224,573	509,259	25,953
Total	134	535,212	463,527	270,305	224,573	509,259	25,953
Totals	437	$ 5,372,268	$ 1,852,762	$ 1,272,969	$ 1,291,686 (b)	$ 1,834,045	$ 2,908,352

(a) In FY 2007, the baseball stadium was included in the administrative section of the governmental direction and support section.

(b) In FY 2008, the baseball stadium was transferred from the Construction In Progress (CIP) asset class to the Building asset class. Therefore, the $629,871 is not included in the total column.

NOTE 6. CONDUIT DEBT TRANSACTIONS

A. INDUSTRIAL REVENUE BOND PROGRAM

The District has issued, under its Industrial Revenue Bond Program, private activity bonds for which the principal and interest are payable solely from defined revenues of private entities, such as non-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. Organizations participating in the Industrial Revenue Bond Program are allowed to borrow at the prevailing municipal bond rate. These private activity bonds provide economic incentive to construct, modernize or enhance private entity facilities in the District, thereby supporting the District's economic base. As of September 30, 2008, the aggregate outstanding principal amount for these conduit debt obligations was approximately $5.1 billion.

B. ENTERPRISE ZONE FACILITY BONDS

Beginning January 1, 1998, businesses located in the District of Columbia Enterprise Zone (D.C. Zone) are eligible to obtain up to $15 million of tax-exempt financing. Similar to Industrial Revenue Bonds, the principal and interest are payable solely from defined revenues of private entities, including non-profit and for-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. As of September 30, 2008, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $98.4 million.

NOTE 7. SHORT-TERM LIABILITIES

TAX REVENUE ANTICIPATION NOTES

The District issued $300,000 in Tax Revenue Anticipation Notes (TRANs) on December 12, 2007. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs. The proceeds were used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2008.

The TRANs are general obligations of the District, secured by the District's full faith and credit, and payable from available revenues, including tax revenues, of the District. Operational and other disbursement costs are covered by the TRANs proceeds until periodic taxes, grants and other revenues are received. The notes were issued as fixed-rate notes with an interest rate of 4.00%, priced to yield 3.13%, and matured on September 30, 2008.

Table 19 - Changes in Short-Term Liabilities

Account	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 300,000	$ 300,000	$ -

NOTE 8. LONG-TERM LIABILITIES

A. LONG-TERM DEBT

In the government-wide financial statements and proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary funds statement of net assets. Long term debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the outstanding principal method. Long term debt payable is reported separately from the applicable premium or discount. The issuance cost for long term debt is reported as deferred charge.

Governmental funds recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

General Obligation Bonds

The District's general obligation bonds are authorized and issued primarily to provide funds for certain capital projects and improvements. The average interest rate on the District's outstanding fixed-rate bonds is 5.069%. The average interest rate on the District's variable-rate bonds for fiscal year 2008 is 3.285%. All general obligation bonds are backed by the full faith and credit of the District. In addition, the bonds are secured by a security interest in and lien on the funds derived from a Special Real Property Tax levied annually by the District on portions of certain real property. These tax revenues have been dedicated for the payment of bond principal and interest. Amounts collected are deposited in banks and held in escrow for payment of bond principal and interest when due. A summary of the outstanding debt totaling $4,592,518 at September 30, 2008 is shown in **Table 20**.

Table 20- Changes in Governmental Activities Long-Term Debt of Primary Government

	General Obligation Bonds	TIF Bonds	Tobacco Bonds	Ballpark Bonds	COPs	Housing Production Trust	QZAB Bonds	NCRC Revenue Bonds	AWC PILOT Revenue Bonds	Total
Debt Payable at September 30, 2007	$ 4,140,133	$ 105,229	$ 737,069	$ 528,490	$ 270,780	$ 34,105	$ 4,787	$ -	$ -	**$ 5,820,593**
Bond and Notes Issued:										
GO Bond Series 2007C	333,840	-	-	-	-	-	-	-	-	**333,840**
GO Bond Series 2008E	327,905	-	-	-	-	-	-	-	-	**327,905**
GO Bond Series 2008A	60,000	-	-	-	-	-	-	-	-	**60,000**
GO Bond Series 2008B	125,775	-	-	-	-	-	-	-	-	**125,775**
GO Bond Series 2008C	224,300	-	-	-	-	-	-	-	-	**224,300**
GO Bond Series 2008D	114,205	-	-	-	-	-	-	-	-	**114,205**
GO Bond Series 2008F	151,615	-	-	-	-	-	-	-	-	**151,615**
QZAB 2008	-	-	-	-	-	-	2,360	-	-	**2,360**
AWC	-	-	-	-	-	-	-	111,550	-	**111,550**
NCRC	-	-	-	-	-	-	-	-	46,900	**46,900**
Total	**5,477,773**	**105,229**	**737,069**	**528,490**	**270,780**	**34,105**	**7,147**	**111,550**	**46,900**	**7,319,043**
Debt Payments:										
Principal Matured	$ 213,645	4,565	12,585	2,075	9,405	535	434	2,820	-	**$ 246,064**
Principal Defeased	671,610	-	-	-	-	-	-	-	-	**671,610**
Debt Payable at September 30, 2008	**$ 4,592,518**	**$ 100,664**	**$ 724,484**	**$ 526,415**	**$ 261,375**	**$ 33,570**	**$ 6,713**	**$ 108,730**	**$ 46,900**	**$ 6,401,369**

On December 19, 2007 the District issued its Series 2007C General Obligation Bonds in the principal amount of $333,840 (the 2007C Bonds). The proceeds of these bonds will be used to finance capital project expenditures in the District's capital improvements program and to pay the costs and expenses of issuing and delivering the bonds.

The 2007C bonds, together with other outstanding general obligation bonds and bonds to be issued in the future are general obligations of the District, secured by the District's full faith and credit and further secured by the Special Real Property Tax, and are issued under Section 461 of the Home Rule Act. The 2007C Bonds were issued as fixed-rate bonds with a weighted average interest rate

NOTE 8. LONG-TERM LIABILITIES

yield of 4.47%. The maturity of the 2007C bonds is June 1, 2033.

On August 27, 2008, the District issued its Series 2008E General Obligation Bonds in the principal amount of $327,905. The proceeds of these bonds will be used to finance capital project expenditures in the District's capital improvements program and to pay the costs and expenses of issuing and delivering the bonds. The 2008E general obligation bonds, together with the District's outstanding general obligation bonds and future issuances, are secured by the District's full faith and credit and the Special Real Property Tax, and are issued under Section 461 of the Home Rule Act. The 2008E Bonds were issued as fixed-rate bonds with a yield rate ranging from 2% to 5.02%. The maturity of the 2008E Bonds is June 1, 2033.

Prior to the creation of the Water and Sewer Authority as an independent entity, the District issued general obligation bonds to fund improvements to the water and wastewater system. The Water and Sewer Authority is responsible for this debt. While the Water and Sewer Authority is not directly liable for the general obligation bonds, it is required by enabling legislation to transfer to the District the funds necessary to pay its portion of the debt service on these bonds. Accordingly, District general obligation bonds totaling $9,905 are reflected in the financial statements of the Water and Sewer Authority.

Current and Advance Refunding

On May 21, 2008 the District issued $524,280 in series 2008A, B, C, D General Obligation Refunding Bonds (Variable Rate Demand Obligations (VRDO) with a weighted average interest rate yield of 4.22%, assuming a 3.5% average variable rate in the future plus LOC fees, to refund $521,025 of outstanding 2002A, 2002B, 2004C general obligation bonds with weekly variable interest rates. The demand obligation arrangements associated with these bonds are described below.

Demand Obligation Arrangements

In connection with the issuance of the demand bonds, the District was issued three letters of credit (LOC). The purpose of these LOCs was to provide credit enhancement and liquidity support for the District's General Obligation Bonds Series 2008A, B, C, and D. LOC terms and other conditions are discussed below.

Series 2008A Letter of Credit

Allied Irish Bank, issued the District an LOC in a maximum amount of $61,500 including applicable interest. The initial term of the letter of credit was three years. However, approximately 90 days prior to the anniversary date, upon written request by the District, the bank will consider extending the line of credit for an additional year. The commitment fee to obtain the letter of credit was 0.10% of the stated amount and the annual LOC fee was 0.60% of the stated amount. The LOC fee is payable quarterly in advance, computed on an actual/360 day basis and is non-refundable. The associated draw fee is $.250 per draw. If the LOC is terminated within the first two years of the initial term, the District is to pay an LOC termination fee which equals one half of one year's annual LOC fee. If the LOC is terminated within the third year, the District is to pay an LOC termination fee in an amount equal to one half of one year's annual LOC fee. The LOC fee does not apply if termination is due to a reduction in the bank's credit rating.

Series 2008B Letter of Credit

Bank of America issued an LOC in the amount of $125,000 plus required interest coverage. The term of this LOC is three years from date of issuance. However, the District may request an extension of up to three years in writing at any time, but no less than 180 days prior to the expiration date of the LOC. The applicable draw fee is $.250 per draw. If the LOC is terminated prior to the end of the second year, the District must pay all amounts due the bank to such date plus an amount equal to the LOC fee. After the second anniversary date, the LOC may be terminated by the bank without a termination fee. For all amendments, transfers, standard waivers and consents, the District is to pay $2.50 plus attorney's fees and expenses.

Series 2008C/D Letter of Credit

Dexia Credit Local issued an LOC, the maximum amount of which was $399,705. The initial fee was $15 and the draw fee is $.250 per draw. The LOC term is three years. Other applicable information is provided below:

Default Rate	Bank Rate plus 3%
Termination Fees	Two year's and three year's termination fee apply to three and five year terms respectively
Term Out Provisions	Three years

The Series 2008A, B, C and D general obligation bonds were issued at par and after paying issuance costs of $3,255, the net proceeds were $521,025. The net proceeds from the issuance of the general obligation

NOTE 8. LONG-TERM LIABILITIES

bonds were used to refund the 2002 and 2004 bonds on the May 21, 2008 closing date. The District completed the refunding to reduce its present value total debt service payment, since the existing VRDO, enhanced with downgraded insurers, were trading well over the market for such bonds with high quality credit support. Because the refunding was of variable rate bonds with variable rate bonds, a defined economic gain (or total savings amount) resulting from the refunding was not officially determined. In future years, the District anticipates savings because downgraded bond insurers were replaced with another form of credit enhancement that would allow the variable interest rates on the bonds to be at lower levels than they would have been without the refundings.

On August 27, 2008 the District issued $151,615 in series 2008F General Obligation Refunding Bonds with a weighted average interest rate yield of 4.48% to advance refund $150,585 of outstanding 1998A and 1998B bonds with an average coupon yield of 5.23%. The general obligation bonds were issued at par plus a premium of $5,705 and after paying issuance costs of $2,960, the net proceeds were $154,360. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. Treasury Securities which were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were fully called on September 15, 2008. The District completed the refunding to reduce the present value of its total debt service payments over the next 17 years. The result of the 2008F GO refunding produced a reduction of $7,919 of future debt service with an economic gain of $5,486.

TIF Notes and Bonds

The Tax Increment Financing (TIF) Notes and Bonds are special limited obligations of the District. TIF is an economic development tool used to facilitate the financing of business investment activities within a locality. The sole source of repayment of the TIF Notes is the incremental sales and real property tax revenues from the Project, and 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.

Gallery Place and Mandarin Oriental Hotel

In 2002, the District promised to pay an aggregate principal amount of $73,650 to the Gallery Place Development Sponsor and $45,995 to the Mandarin Hotel Development Sponsor. The District issued two Tax Increment Financing (TIF) Bonds pursuant to the District of Columbia Tax Increment Financing Authorization Act of 1998, as amended, and the Trust Indenture dated as of April 1, 2002. These included the Gallery Place TIF Bond, which matures on July 1, 2031, and the Mandarin Oriental TIF Bond, which matures on July 1, 2022. Interest rate yields on the Gallery Place and Mandarin Hotel TIF Bonds range from 3.28% to 5.91%. These two bond issuances are supported by the pledge of incremental sales and real property tax revenues from the respective projects and secondarily by incremental tax revenues from a Downtown TIF Area.

Embassy Suites Hotel, H & M, Zara, West Elm, Crime and Punishment Museum Retail Development

In 2006, the District used TIF to finance the Embassy Suites Hotel and the H&M retail development. The $11,000 Embassy Suites Hotel TIF Notes mature on the earlier of January 1, 2020, 12 years after the release from escrow, or upon payment in full, and have an interest rate of 5%.

In March 2006, the Mayor executed the first Downtown Retail Priority Area TIF Note. The H & M TIF Note, which matures on March 1, 2016, or upon payment in full, is for approximately $2,996 with an 8% interest rate. In May 2008, the Mayor executed two additional notes, one for Zara, which matures on June 1, 2018 or upon payment in full, for $1,750 at a 5.5% interest rate, and one for West Elm, which also matures on June 1, 2018 or upon payment in full, for $5,000 at a 5.5% interest rate. In September 2008, the Mayor executed the fourth Downtown Retail Priority Area TIF Note for the National Crime and Punishment Museum for $3,000, also at a 5.5% interest rate. This TIF Note matures on October 1, 2018.

These Downtown Retail Priority Area TIF Notes are pledges of incremental sales tax revenues only. If the incremental revenues are insufficient to pay the principal and interest due on the TIF Notes when due, the payment shortfall will not constitute a default. If the incremental revenues are sufficient to pay the principal and interest due on the TIF Notes when due, the District must pay the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

Capitol Hill Towers

On December 20, 2006, the District released the $10,000 tax increment financing (TIF) note of the Capitol Hill Towers from escrow. The note matures on January 1, 2029 with an interest rate of 7.5% compounded semiannually on unpaid principal.

Verizon Center

In December 2007, the District issued $50,000 in taxable financing notes to finance upgrades at the Verizon Center.

NOTE 8. LONG-TERM LIABILITIES

The 2007A note was issued in the amount of $43,570 at a fixed interest rate of 6.734% and matures on August 15, 2047. The 2007B note was issued in the amount of $6,430 at a fixed interest rate of 6.584% with a maturity date of August 15, 2027. These notes are a special limited obligation of the District and will be secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at the Verizon Center. In the event such taxes are not sufficient, the notes are further secured by incremental increases in certain dedicated real property and sales tax revenues, which are subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel.

Shakespeare Theatre

The Shakespeare Theatre TIF Note was issued in September 2006 for $10,000. The TIF Note is to be paid in a lump sum on July 1, 2011 from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 6.00%. Payment will be made by the District to the extent that sufficient revenues have been collected.

The following **Tables 21 – 29** show the summary of debt service requirements for *Gallery Place, Mandarin Oriental Hotel, Embassy Suites Hotel, H&M, Zara, West Elm, Crime and Punishment Museum, Capitol Hill Towers, and Verizon Center TIF Notes and Bonds.* Tables 23 through 29 are included for informational purposes only and are not included in Table 20 as long-term debt of the District because no incremental sales and real property tax revenues from the projects have been collected.

Table 21 - Summary of Debt Service Requirements for Gallery Place TIF Bond

Year Ending	GALLERY PLACE		
September 30	Principal	Interest	Total
2009	$ 1,570	$ 3,633	$ 5,203
2010	1,655	3,551	5,206
2011	1,740	3,464	5,204
2012	1,835	3,370	5,205
2013	1,930	3,272	5,202
2014-2018	11,375	14,643	26,018
2019-2023	14,800	11,219	26,019
2024-2028	19,075	6,936	26,011
2029-2031	14,065	1,545	15,610
Total	$ 68,045	$ 51,633	$ 119,678

Table 22 - Summary of Debt Service Requirement for Mandarin Oriental Hotel TIF Bond

Year Ending	MANDARIN ORIENTAL HOTEL		
September 30	Principal	Interest	Total
2009	$ 2,897	$ 1,612	$ 4,509
2010	2,735	1,769	4,504
2011	2,583	1,921	4,504
2012	2,434	2,070	4,504
2013	2,292	2,217	4,509
2014-2018	9,452	13,079	22,531
2019-2022	10,226	7,796	18,022
Total	$ 32,619	$ 30,464	$ 63,083

Table 23 - Summary of Debt Service Requirement for Embassy Suites Hotel TIF Note

Year Ending	EMBASSY SUITES HOTEL		
September 30	Principal	Interest	Total
2009	$ 1,024	$ 207	$ 1,231
2010	1,075	155	1,230
2011	1,130	100	1,230
2012	1,157	43	1,200
Total	$ 4,386	$ 505	$ 4,891

Table 24 - Summary of Debt Service Requirement for H & M Development TIF Note

Year Ending	H & M DEVELOPMENT		
September 30	Principal	Interest	Total
2009	$ 300	$ 160	$ 460
2010	299	136	435
2011	300	112	412
2012	299	88	387
2013	300	64	364
2014-2015	576	56	632
Total	$ 2,074	$ 616	$ 2,690

NOTE 8. LONG-TERM LIABILITIES

Table 25- Summary of Debt Service Requirement for Zara TIF Note

Year Ending September 30	ZARA Principal	Interest	Total
2009	$ 140	$ 88	$ 228
2010	145	83	228
2011	153	75	228
2012	161	67	228
2013	170	57	227
2014-2018	951	132	1,083
Total	$ 1,720	$ 502	$ 2,222

Table 26 – Summary of Debt Service Requirement for West Elm TIF Note

Year Ending September 30	WEST ELM Principal	Interest	Total
2009	$ 471	$ 312	$ 783
2010	413	244	657
2011	436	221	657
2012	461	197	658
2013	487	172	659
2014-2018	2,717	421	3,138
Total	$ 4,985	$ 1,567	$ 6,552

Table 27 - Summary of Debt Service Requirement for National Crime and Punishment Museum TIF Note

Year Ending September 30	CRIME AND PUNISHMENT MUSEUM Principal	Interest	Total
2009	$ 212	$ 153	$ 365
2010	243	147	390
2011	257	134	391
2012	272	119	391
2013	287	104	391
2014-2018	1,697	257	1,954
2019	32	-	32
Total	$ 3,000	$ 914	$ 3,914

Table 28 - Summary of Debt Service Requirement for Capitol Hill Towers TIF Note

Year Ending September 30	CAPITOL HILL TOWERS Principal	Interest	Total
2009	$ 320	$ 615	$ 935
2010	344	591	935
2011	371	564	935
2012	399	536	935
2013	430	505	935
2014-2018	2,693	1,982	4,675
2019-2023	3,723	784	4,507
Total	$ 8,280	$ 5,577	$ 13,857

Table 29 - Summary of Debt Service Requirement for Verizon Center TIF Note

Year Ending September 30	VERIZON CENTER Principal	Interest	Total
2009	$ -	$ 3,357	$ 3,357
2010	-	3,357	3,357
2011	-	3,357	3,357
2012	20	3,357	3,377
2013	55	3,356	3,411
2014-2018	910	16,670	17,580
2019-2023	2,275	16,194	18,469
2024-2028	4,195	15,198	19,393
2029-2033	6,925	13,480	20,405
2034-2038	10,785	10,664	21,449
2039-2043	16,190	6,353	22,543
2044-2047	8,645	911	9,556
Total	$ 50,000	$ 96,254	$ 146,254

Tobacco Bonds

In November 1998, the District (along with a number of States and various jurisdictions) signed a Master Settlement Agreement with the major U.S. tobacco companies that ended litigation over healthcare treatment costs incurred for smoking-related illnesses. Under the settlement, the District is scheduled to receive total annual payments aggregating an estimated $1.2 billion by 2025. There are a number of potential adjustments to this schedule, including an inflation adjustment and a cigarette volume adjustment. In addition, there are numerous risks regarding whether the District will receive the full amount to which it is entitled under the terms of the Master Settlement Agreement, including various lawsuits outside the District alleging that the Master Settlement Agreement is void or voidable.

NOTE 8. LONG-TERM LIABILITIES

In 2001, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2001, the principal amount of which was $521,105. As of September 30, 2008, $476,220 remained outstanding.

In 2006, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2006, the principal amount of which was $248,264. Bond proceeds were used to pay: (i) the cash portion of the purchase price for the Residual Tobacco Assets and (ii) certain costs of issuance related to the Series 2006 Bonds. The payment of these bonds is secured by the District's distribution under the November 1998 Master Settlement Agreement (MSA). As such, the Series 2006 Bonds are secured and payable solely from (i) the residual annual and strategic contribution fund payments (TSRs) and all future aid, rents, fees, charges, payments, investment earnings and other income and receipts with respect to the pledged TSRs, (ii) all rights to receive revenues and proceeds from the TSRs, (iii) all accounts established under the Indenture and the related assets; and (iv) subject to certain limitations, all rights and interest of the Tobacco Corporation under the purchase agreement. Pursuant to the District of Columbia Tobacco Settlement Financing Act of 2000, and a Purchase and Sale Agreement dated August 1, 2006, the District's Tobacco Settlement Trust Fund sold all of its right, title, and interest in certain residual tobacco assets paid or payable to the District on or after April 1, 2015. Approximately 25% of the anticipated $1.2 billion in total annual payments to be received by the District was pledged as security for these bonds. The Tobacco Bonds are neither general nor moral obligations of the District and are not secured by a pledge of the full faith and credit of the District. Since no payment was made in 2008, the amount outstanding as of September 30, 2008 was $248,264. Payments received by the Tobacco Corporation under the MSA in excess of the annual debt service requirements for the Tobacco Bonds may revert to the General Fund.

As of September 30, 2008, the total outstanding balance for all Tobacco Bonds as shown in **Table 30** was $724,484.

Table 30 - Summary of Debt Service Requirements for General Obligation and Tobacco Bonds to Maturity

Year Ending	General Obligation Bonds		Tobacco Bonds		
September 30	Principal	Interest	Principal	Interest	Total
2009	$ 234,415	$ 212,227	$ 13,245	$ 30,877	$ 490,764
2010	250,540	205,613	14,305	30,112	500,570
2011	205,090	192,388	15,450	29,278	442,206
2012	188,968	201,312	16,515	28,330	435,125
2013	189,715	194,357	17,510	27,337	428,919
2014 - 2018	804,205	752,307	105,145	119,041	1,780,698
2019 - 2023	849,220	549,286	147,805	79,719	1,626,030
2024 - 2028	919,600	335,527	146,245	22,769	1,424,141
2029 - 2033	560,505	172,542	-	-	733,047
2034 - 2038	390,260	46,006	-	-	436,266
2044 - 2048 *	-	-	159,733	1,697,592	1,857,325
2054 - 2058	-	-	88,531	2,478,469	2,567,000
Total	**$ 4,592,518**	**$ 2,861,565**	**$ 724,484**	**$ 4,543,524**	**$ 12,722,091**

* The amortization period for the Series 2006 Tobacco bonds begins after the repayment period for the Series 2001 ends. Final payment occurs in FY 2055.

NOTE 8. LONG-TERM LIABILITIES

Defeased Bonds

In prior years, the District defeased certain bond issues by issuing refunding bonds. The total amount of defeased debt outstanding at September 30, 2008 was $490,356.

Table 31 - Summary of Defeased Bonds in FY 2008

SUMMARY OF DEFEASED GENERAL OBLIGATION BONDS IN FY2008
Defeased by Refunding Bonds 2008 A,B,C,D and F

Bond Series Refunded	Interest Rate		Refunded Amount
1998A	5-5.25%	$	111,435
1998B	5.25%		39,150
2002A	Variable		149,500
2002B	Variable		224,300
2004C	Variable		147,225
		$	**671,610**

Ballpark Revenue Bonds

On May 15, 2006, the District issued Ballpark Revenue Bonds in the principal amount of $534,800. This offering includes the issuance of Taxable Series 2006A-1bonds in the principal amount of $78,425 and the issuance of Taxable Series 2006A-2 bonds in the principal amount of $76,410 (the Series 2006A-1 Bond and together with the Series 2006A-2 bond, the Series 2006A Bonds).

This offering also includes the issuance of Series 2006B-1 in the principal amount of $354,965 and Series 2006B-2 (Auction Rate Securities) in the principal amount of $25,000 (the Series 2006B-1 Bond and together with the Series 2006B-2 bond, the Series 2006B Bonds). Series 2006B is tax-exempt.

The weighted average interest rate yield on the fixed-rate bonds (2006A and 2006B-1) is 5.33%. The interest rate yield on the 2006B-2 bonds is variable.

The proceeds of the Series 2006 Ballpark Bonds were used to finance a portion of the cost of construction of the new baseball stadium. The stadium is owned by the District of Columbia.

Table 32 - Summary of Debt Service Requirements for Ballpark Revenue Bonds

Year Ending	BALLPARK BONDS		
September 30	Principal	Interest	Total
2009	$ 4,665	$ 27,912	$ 32,577
2010	4,360	27,690	32,050
2011	4,540	27,472	32,012
2012	4,915	27,237	32,152
2013	5,680	26,970	32,650
2014-2018	43,130	128,875	172,005
2019-2023	70,105	114,128	184,233
2024-2028	107,035	90,810	197,845
2029-2033	156,890	55,711	212,601
2034-2038	125,095	10,219	135,314
Total	$ 526,415	$ 537,024	$ 1,063,439

Housing Production Trust Fund Program

On March 16, 1989, the Council enacted the Housing Production Trust Fund Act of 1988, D. C. Law 7-202, which was subsequently amended on May 7, 2003 with administration authority for the Trust Fund vested in the D. C. Department of Housing and Community Development (DHCD). The purpose of the Trust Fund is to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities. In fiscal year 2007, budget authority was established for $150 million for the New Communities projects (which the District planned to finance with bond proceeds). To pay the debt service on these bonds, the Council authorized up to $16 million annually to be transferred from the Allocated Fund of the Housing Production Trust Fund (HPTF), which was funded by dedicated revenue from deed recordation and transfer taxes. The District issued approximately $34.1 million of revenue bonds in 2007 for a major investment in the "Northwest One New Communities Project Area." The bonds were issued with an average coupon rate of 4.68%. The District intends to issue additional HPTF revenue bonds in fiscal year 2009 or beyond to fund other New Communities projects. The following schedule details the annual funding requirements necessary to repay these bonds:

NOTE 8. LONG-TERM LIABILITIES

Table 33 - Summary of Debt Service Requirements for Housing Production Trust Fund

Year Ending September 30	HOUSING PRODUCTION TRUST FUND Principal	Interest	Total
2009	$ 560	$ 1,584	$ 2,144
2010	585	1,561	2,146
2011	605	1,538	2,143
2012	630	1,514	2,144
2013	655	1,488	2,143
2014-2018	3,810	6,916	10,726
2019-2023	4,865	5,863	10,728
2024-2028	6,200	4,520	10,720
2029-2033	7,920	2,806	10,726
2034-2037	7,740	839	8,579
Total	$ 33,570	$ 28,629	$ 62,199

Qualified Zone Academy Bond

The District issued the Qualified Zone Academy Bond (QZAB) as a taxable general obligation bond without incurring interest expense. The District received $4,665 and is obligated to deposit a total amount of $3,583 into a sinking fund in fourteen equal annual amounts of $256 beginning December 1, 2002. At September 30, 2008, the District had deposited $1,535 into the required sinking fund.

On December 28, 2005, the District issued another QZAB as a taxable general obligation bond without incurring interest expense. The District received $3,191 and is obligated to deposit a total amount of $2,662 into a sinking fund in fifteen equal annual amounts of $177 beginning December 1, 2006. At September 30, 2008, the District had deposited $354 into the required sinking fund.

On May 29, 2008, the District issued another QZAB as a taxable general obligation bond without incurring interest expense. The District received $2,160 and is obligated to deposit a total amount of $2,360 into a sinking fund in ten equal annual amounts of $236 beginning December 1, 2008. Therefore, at September 30, 2008, the District had not made any sinking fund deposits related to this QZAB.

A summary of Debt Service Requirements to Maturity for QZAB is shown in **Table 34.**

Table 34 - Summary of Debt Service Requirements for QZAB

Year Ending September 30	QZAB Principal
2009	$ 669
2010	669
2011	670
2012	669
2013	669
2014-2018	2,836
2019-2020	531
Total	**$ 6,713**

NOTE 8. LONG-TERM LIABILITIES

National Capital Revitalization Corporation Bonds (DC USA Parking Garage Project)

On February 15, 2006, the National Capital Revitalization Corporation (NCRC) issued revenue bonds in the amount of $46,900 with a variable interest rate based on 70% of LIBOR plus 1.75%. Bonds are due and payable on February 1, 2024. Under the bond indenture, minimum required debt service payments were calculated based on a 25-year amortization schedule. The repayment of the bonds comes from two sources, 1) a $42,000 District TIF Note supported by taxes generated from the DC USA retail project, and 2) the net cash flow generated from the attached District-owned parking garage. The District expects tax increment revenues available to pay debt service on the bonds to significantly exceed the minimum required debt service, and the indenture states that the bonds are subject to extraordinary mandatory redemption, in whole or part at any time.

The bonds were issued to finance the development and acquisition of a 1000-space underground parking garage attached to the DC USA retail project. Included in the bond issue is $39,300 cost of acquisition of the garage and $5,850 in capitalized interest. In fiscal year 2007, NCRC was abolished and its assets and liabilities were assumed by the District. The District will begin making principal payments on February 1, 2009 – the end of the construction period on the bonds. A summary of the debt service requirements to maturity for principal and interest for the NCRC revenue bonds is shown in **Table 35**.

Anacostia Waterfront Corporation PILOT Revenue Bonds (Anacostia DOT Waterfront Projects)

In September of 2007, the Anacostia Waterfront Corporation (AWC) issued $111.55 million of PILOT revenue bonds (the AWC bonds) with a 4.47% interest rate. The bonds were issued to finance, refinance, and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River Waterfront. The AWC was a discretely presented component unit of the District at the time of issuance of the AWC bonds. Since the issuance of the bonds, the District has dissolved the AWC and assumed its assets and obligations, including the payment of the AWC Bonds, effective October 1, 2007.

A summary of the debt service requirements to maturity for principal and interest for the AWC PILOT revenue bonds is shown in **Table 36** on page 101.

Table 35 - National Capital Revitalization Corporation Revenue Bonds Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2009	$ 639	$ 1,554	$ 2,193
2010	1,000	2,290	3,290
2011	1,051	2,239	3,290
2012	1,105	2,185	3,290
2013	1,161	2,129	3,290
2014-2018	6,760	9,690	16,450
2019-2023	8,676	7,775	16,451
2024-2028	26,508	438	26,946
Total	**$ 46,900**	**$ 28,300**	**$ 75,200**

NOTE 8. LONG-TERM LIABILITIES

Table 36 - Anacostia Waterfront Corporation PILOT Revenue Bonds Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2009	$ 5,760	$ 4,790	$ 10,550
2010	6,020	4,530	10,550
2011	6,290	4,258	10,548
2012	6,575	3,974	10,549
2013	6,875	3,678	10,553
2014-2018	39,305	13,447	52,752
2019-2022	37,905	3,772	41,677
Total	**$ 108,730**	**$ 38,449**	**$ 147,179**

COMPONENT UNITS

Water and Sewer Authority

The Water and Sewer Authority (WASA) derives its funding for future capital projects from the issuance of revenue bonds, District general obligation bonds, notes payable to the federal government and various other non-debt sources of financing. The public utility revenue bonds and notes payable to the federal government for the Washington Aqueduct are considered senior debt. Notes payable to the federal government for the Washington Aqueduct are specifically secured by user charges assessed on retail customers. There were no outstanding notes to the federal government for the Washington Aqueduct at the end of fiscal year 2008. Debt outstanding at September 30, 2008 totaling $982,524 included net unamortized bond premiums of $13,916 and a remaining principal balance of $968,608.

Commercial Paper Note Payable

WASA's Board of Directors approved WASA's commercial paper program on November 1, 2001, with Series A and B notes, not to exceed $50,000 each at any one time. Proceeds from the sale of the notes are used to finance costs incurred in connection with the construction of capital improvements to WASA's wastewater treatment collection and disposal system, its water distribution system and capital equipment.

Series A and B notes are secured by separate letters of credit, issued by Westdeutsche Landesbank Gironzentrale (WestLB) and are rated P1, A1+ and F1+ by Moody's, S&P and Fitch, respectively. The letter of credit expires on November 30, 2015. In April 2008, the letter of credit for Series A was amended to include the issuance of taxable commercial paper for the purpose of refunding the Series 2007B subordinated bonds. As a result of the refunding, $44 million in taxable commercial paper was issued to refund the Series 2007B bonds. Under WASA's commercial paper program, the notes are fixed rate and short-term, payable within 270 days of issuance.

Table 37 presents the commercial paper activity which occurred in fiscal year 2008.

Table 37 – FY 2008 Commercial Paper Activity

Description	Balance at October 1, 2007	Addition	Reduction	Balance at September 30, 2008
Commercial Paper Notes Payable Series A, interest ranges from 3.2% to 6.5%	$ -	$ 44,000	$ -	$ 44,000
Total Commercial Paper	**$ -**	**$ 44,000**	**$ -**	**$ 44,000**

NOTE 8. LONG-TERM LIABILITIES

Table 38 – Water and Sewer Authority Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2009	$ 14,002	$ 41,571	$ 55,573
2010	13,846	48,928	62,774
2011	16,018	48,141	64,159
2012	16,701	47,276	63,977
2013	17,207	46,389	63,596
2014 - 2018	100,010	215,840	315,850
2019 - 2023	124,849	185,212	310,061
2024 - 2028	172,907	147,042	319,949
2029 - 2033	186,765	101,920	288,685
2034 - 2038	170,279	54,439	224,718
2039 - 2042	136,024	11,671	147,695
Subtotal	**968,608**	**948,429**	**1,917,037**
Add: Unamortized Bond Premium-Net	13,916	-	13,916
Total	**$ 982,524**	**$ 948,429**	**$ 1,930,953**

Washington Convention Center Authority

On February 1, 2007, the Washington Convention Center Authority (WCCA) issued $492,525 of refunding Series 2007A Bonds, with a net premium of $15,625 to effect a refunding for Series 1998 Bonds. These refunding Bonds were dated February 1, 2007, with maturities ranging from October 2008 to October 2037, at a variable interest rate ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to advance refund all the Series 1998 Bonds in the aggregate principal amount of $480,640, refinance a portion of the land acquisition cost of WCCA related to the Headquarters Hotel and to pay the premium for the Reserve Credit Facility that will fund the Series 2007A Bonds, including the premium for the Financials Guaranty Insurance Policy.

In 2007 WCCA defeased certain bonds by placing the proceeds of the Series 2007A Bonds in an irrevocable trust to provide for all future debt service payments on the Series 1998A Bonds. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the financial statements. At September 30, 2008, WCCA has $480,640 of bonds outstanding that are considered defeased debt.

A summary of WCCA's debt service requirements to maturity for principal and interest is shown in **Table 39** on page 103.

NOTE 8. LONG-TERM LIABILITIES

Table 39 – Washington Convention Center Authority Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2009	$ 11,690	$ 22,761	$ 34,451
2010	12,160	22,222	34,382
2011	12,700	21,655	34,355
2012	13,265	21,055	34,320
2013	13,865	20,376	34,241
2014 - 2018	79,985	90,752	170,737
2019 - 2023	101,750	67,876	169,626
2024 - 2028	128,850	39,546	168,396
2029 - 2033	100,590	9,499	110,089
2034 - 2037	17,670	1,237	18,907
Subtotal	**492,525**	**316,979**	**809,504**
Less: Unamortized Bond Discount - Net	(3,423)	-	(3,423)
Total	**$ 489,102**	**$ 316,979**	**$ 806,081**

Housing Finance Agency

Bonds payable consists of term and serial bonds which are subject to redemption at the option of the Housing Finance Agency, in accordance with the terms of the respective bond indenture and bond resolution, in whole or in part, on various dates at prescribed redemption prices. Interest rates on these bonds range from 2.39% to 7.75%. Included in certain bond issues are capital appreciation bonds. The principal amount of these bonds appreciates either annually or semi-annually, compounding on the original principal balance. These bonds are recorded in the financial statements at their current appreciated amounts.

Bonds have been issued to provide financing for the Housing Finance Agency's housing programs and are collateralized by: (a) mortgage loans made on the related developments or single-family residential mortgage loans purchased, (b) substantially all revenues, mortgage payments, and recovery payments received by the agency from mortgage loans made on related developments or (c) certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.

A summary of Housing Finance Agency's debt service requirements to maturity for principal and interest is shown in **Table 40**.

Table 40- Housing Finance Agency Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2009	$ 98,443	$ 55,552	$ 153,995
2010	52,932	53,396	106,328
2011	19,147	51,417	70,564
2012	18,412	50,353	68,765
2013	15,321	49,568	64,889
2014-2018	90,755	233,760	324,515
2019-2023	123,556	205,003	328,559
2024-2028	143,949	163,891	307,840
2029-2033	118,923	127,887	246,810
2034-2038	155,697	89,481	245,178
2039-2043	81,822	56,596	138,418
2044-2048	39,588	38,924	78,512
2049-2053	5,962	33,278	39,240
2054-2058	192,949	14,169	207,118
Subtotal	**1,157,456**	**1,223,275**	**2,380,731**
Add: Unamortized Bond Premium, net	8,196	-	8,196
Total	**$ 1,165,652**	**$ 1,223,275**	**$ 2,388,927**

NOTE 8. LONG – TERM LIABILITIES

B. OTHER LONG-TERM LIABILITIES

Certificates of Participation

In 2002, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District agreed in the Lease Agreement to make lease payments (the "Lease Payments"), which are expected to be sufficient to pay the principal of and interest on the COPs. The District has approximately $34.8 million of outstanding COPs issued by a trust in 2002 with a final maturity of 2013. The 2002 COPs were used to finance the acquisition of certain real property located in the District at 441 Fourth Street, N.W. The debt service requirements on these COPs are included in capital leases payable (See Note 14C).

In 2003, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District has approximately $61 million of outstanding COPs issued by a trust in 2003 with a final maturity of 2023, as shown in **Table 41A**. The 2003 COPs were used to provide funds to finance portions of the design and construction of a public safety and emergency preparedness communications and command center and the design, construction and installation of a high-speed telecommunications network. In each case, the District's payment obligations are subject to and dependent upon the inclusion of sufficient funds in annual District budgets and annual appropriations being made by the United States Congress for such purpose.

In 2006, a COP was issued under an Indenture of Trust between M&T Trust Company of Delaware (the "Lessor") and Manufacturers and Traders (the "Trustee"). The aggregate principal amount of this issuance was $211.7 million to fund the Saint Elizabeth's Hospital and DMV Projects as shown in **Table 41B**. on page 105. The COP's proceeds are being used to fund a portion of the cost of the design and construction of the Hospital, which is estimated to cost approximately $208 million. Of this amount, $184.2 million will be financed with COP proceeds and interest earning thereon. In addition, COP proceeds are being used to fund the purchase of the DMV Building from its current owner for approximately $15.3 million and approximately $3.1 million of improvements to include: parking enhancements, window replacement, elevators, a loading dock, and access to the adjacent inspection facility. The District has approximately $200.3 million of outstanding COP issued by trust in 2006 with a final maturity of 2026. The weighted average interest rate yield on these COPs is 5.00%.

Table 41A - Summary of Debt Service Requirements for COP- Public Safety Communications Center

Emergency Preparedness Communications Center & Related Technology (COP)

Year Ending September 30	Principal	Interest	Total
2009	$ 2,850	$ 2,949	$ 5,799
2010	2,960	2,840	5,800
2011	3,100	2,703	5,803
2012	3,255	2,544	5,799
2013	3,405	2,395	5,800
2014-2018	19,730	9,275	29,005
2019-2023	25,750	3,252	29,002
Total	$ 61,050	$ 25,958	$ 87,008

NOTE 8. LONG-TERM LIABILITIES

Table 41B - Summary of Debt Service Requirements for COP- St Elizabeth/DMV Building

Year Ending September 30	St Elizabeth/DMV Building (COP) Principal	Interest	Total
2009	$ 7,010	$ 9,807	$ 16,817
2010	7,370	9,448	16,818
2011	7,750	9,070	16,820
2012	8,145	8,672	16,817
2013	8,565	8,254	16,819
2014-2018	50,195	33,902	84,097
2019-2023	64,425	19,677	84,102
2024-2026	46,865	3,593	50,458
Total	$ 200,325	$ 102,423	$ 302,748

A summary of changes in other long-term liabilities for governmental activities is shown in **Table 42**.

Table 42 - Changes in Other Long-Term Liabilities

Account	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Governmental Activities:				
Accrued disability compensation (Note 15)	$ 89,942	$ 46,178	$ (30,369)	$ 105,751
Accumulated annual leave	142,990	24,491	-	167,481
Grant disallowances	3,217	56,128	-	59,345
Claims & judgments (Note 15)	60,462	32,677	(37,237)	55,902
Equipment financing program (Note 14)	79,722	36,480	(25,981)	90,221
Accreted interest	60,405	23,459	-	83,864
Capital leases payable (Note 14)	59,868	-	(7,465)	52,403
Total	**$ 496,606**	**$ 219,413**	**$ (101,052)**	**$ 614,967**
Business-Type Activities:				
Obligation for unpaid prizes	**$ 46,725**	**$ 3,285**	**$ (8,631)**	**$ 41,379**

NOTE 8. LONG – TERM LIABILITIES

C. CURRENT & LONG-TERM PORTIONS OF LONG-TERM LIABILITIES

Table 43 presents the current and long-term portions of long-term liabilities.

Table 43 – Current & Long-Term Portions of Long-Term Liabilities

Type of Liability	Current Portion	Long-Term Portion	Total
Government-Wide Activities:			
General obligation bonds	$ 234,415	$ 4,358,103	$ 4,592,518
Premium on long-term debt	10,145	90,551	100,696
TIF bonds	4,467	96,197	100,664
QZAB	669	6,044	6,713
Capital leases	10,923	41,480	52,403
Tobacco bonds	13,245	711,239	724,484
Ballpark bonds	4,665	521,750	526,415
Annual leave	153,320	14,161	167,481
Disability compensation	-	105,751	105,751
Equipment financing program	27,951	62,270	90,221
Accreted interest	-	83,864	83,864
Grant disallowances	-	59,345	59,345
Claims and judgements	-	55,902	55,902
Housing production trust fund	560	33,010	33,570
Verizon	-	4,494	4,494
Unfunded pension expenses	-	7,463	7,463
COPs	9,860	251,515	261,375
PILOT Revenue Bonds (AWC & NCRC)	6,399	149,231	155,630
Total	**$ 476,619**	**$ 6,652,370**	**$ 7,128,989**
Business-Type Activities:			
Obligation for unpaid prizes	**$ 8,631**	**$ 32,748**	**$ 41,379**

Obligation for Unpaid Prizes

The Lottery and Charitable Games Control Board (the Lottery) is a member of the Multi-State Lottery Association (MUSL), which is responsible for payments to Lotto-America and Powerball winners. MUSL is responsible for providing cash to the Lottery for funding these installment payments. As of September 30, 2008, MUSL purchased for the Lottery, U.S. government securities totaling $45,613 to fund future installment payments to winners.

The market value of these securities at September 30, 2008 was $41,379. The Lottery has reflected the market value of the securities as restricted investments and as corresponding obligations for unpaid prizes on the statement of net assets.

NOTE 9. RETIREMENT PROGRAMS

A. DEFINED BENEFIT PENSION PLANS

District full-time employees receive pension benefits either through the federally administered Civil Service Retirement System, the Social Security System, or the District's Retirement System.

Civil Service Retirement System

Plan Description

The District contributes to the Civil Service Retirement System (CSRS), a cost sharing multiple employer public employee retirement system, administered by the federal government's Office of Personnel Management (OPM). Permanent full-time District employees hired before October 1, 1987, except those covered by the District Retirement Program, are covered by CSRS, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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

The District contributes 7% of each covered employee's annual salary to the CSRS. The contribution requirements of plan members are established and may be amended by the OPM. The District's contributions to the CSRS for the years ended September 30, 2008, 2007, and 2006 were $20,388, $21,943, and $22,568, respectively.

Social Security System

Plan Description

The District also contributes to the federal government's Social Security System, a program that provides benefits for retirement, disability, survivorship, and death, which is funded by dedicated payroll taxes. The Social Security Administration and the U.S. Departments of Health and Human Services, Labor, and Treasury administer this program. The authority to establish and amend policy and benefit provisions rests with the President and Congress of the United States.

Funding Policy

Consistent with the Federal Insurance Contributions Act (FICA), a 6.20% Social Security tax is withheld from the gross salary/wage amount of District employees, up to but not exceeding the applicable social security wage base, which was $102 for 2008. In addition, the District also pays a 1.45 % payroll tax for Medicare with an additional 1.45% being withheld from each employee's salary/wages. District contributions to the Social Security System for the years ended September 30, 2008, 2007, and 2006 were $71,658, $77,478, and $67,772 respectively.

District Retirement Programs

Plan Description

The Retirement Board administers the District's Retirement Programs (D.C. Code §§4-601, 11-1561, 31-120), which are single employer defined benefit pension plans, one established for police and firefighters and the other for teachers.

Each of the two plans provides retirement, death and disability benefits, and annual cost of living adjustments to plan members and beneficiaries. Retirement and disability benefit provisions for police and firefighters are established by the Policemen and Firemen's Retirement and Disability Act (D.C. Code §5-701 et seq. (2001 Ed.)). For the Teachers Plan, Title 38, Chapter 20 of the D.C. Code (D.C. Code § 38-2001, et seq. (2001 Ed.)) assigns the authority to establish and amend benefit provisions to the Council. Each pension trust fund issues a publicly available financial report that includes financial statements and required supplementary information. These reports can be obtained from the District of Columbia Retirement Board, Executive Director, 900 7th Street, N.W., 2nd Floor, Washington, D.C. 20001.

Funding Policy

Contribution requirements of the Fund members are established by D.C. Code § 5-706 and requirements for District contributions to the Pension Trust Fund are established by D.C. Code § 1-907.02 (2001 Ed.), which may be amended by the Council. Administrative costs are paid from investment earnings.

Members contribute by salary deductions on the basis of a normal rate of contributions, which is assigned by the Fund at membership. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual pay minus any pay received for summer school. Members may also contribute up to 10% of annual pay toward an annuity in addition to any vested pension.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through periodic contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The Replacement Act defines the

NOTE 9. RETIREMENT PROGRAMS

eligibility and the calculation of the amount of the benefit payment for covered District employees for service accrued after June 30, 1997. The District's contributions for fiscal years 2008, 2007 and 2006 were equal to the Fund's independent actuary's recommendation.

Under P. L. 105-33, the federal government makes annual contributions to the Police and Firefighters' Plan and to the Teachers' plan on behalf of District employees and retirees. These on-behalf payments totaled $340,200 for the year ended September 30, 2008 and have been reported as intergovernmental revenue. Related expenditures of $268,758 and $71,442 have been reported in the public safety and justice and the public education systems functions, respectively.

Annual Pension Cost and Net Pension Obligation

The District's annual pension cost and net pension obligation to these plans for fiscal year 2008 are presented in **Table 44.**

Table 44 - Annual Pension Cost and Net Pension Obligation ($000s)

	Police and Firefighters Plan	Teachers Plan
Annual required contribution (ARC)	$137,000	$6,000
Interest on net pension obligation	0	$0
Adjustment to ARC	0	$0
Annual pension cost	$137,000	$6,000
Contributions made	$137,000	$6,000
Increase (decrease) in net pension obligation	$0	$0
Net pension obligation beginning of year	$0	$0
Net pension obligation end of year	$0	$0

The District made its actuarially required contribution of $137 million to the Police and Firefighters Pension Plan and $6.0 million to the Teachers Pension Plan in fiscal year 2008. **Table 45** presents three year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

Table 45 - Three Year Trend Information

Police and Firefighters				Teachers			
Fiscal Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation	Fiscal Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation
09/30/08	$137.0	100%	0	09/30/08	$6.0	100%	0
09/30/07	$140.1	100%	0	09/30/07	$14.6	100%	0
09/30/06	$117.5	100%	0	09/30/06	$15.5	100%	0

Actuarial Methods and Assumptions

The District's Annual Required Contribution for the Police and Firefighters Pension Plan and the Teachers Pension Plan were calculated using the aggregate actuarial cost method. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funding status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented as required supplementary information is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE 9. RETIREMENT PROGRAMS

Additional information as of the latest actuarial valuation for the two plans includes the following:

	Fiscal Year 2008
Valuation date	October 1, 2007
Actuarial cost method for contributions	Aggregate
Actuarial cost method for accrued liabilities	Entry Age Normal
Amortization method	Not Applicable
Remaining amortization period	Not Applicable
Asset valuation period	Actuarial value: 1/3 excess earnings subtracted from expected actuarial value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.4 – 9.00%
Includes inflation at	5.00%
Cost-of-living adjustments (COLAs)	5.00%
COLAs for Post November 10, 1996	Limited to 3.00%

Funded Status and Funding Progress

Police and Firefighters Pension Plan

As of October 1, 2007, the most recent actuarial valuation date, the Police and Firefighters Pension Plan was 101% funded. The actuarial accrued liability for benefits was $2,647,300, and the actuarial value of assets was $2,672,900 resulting in funding excess of $25,600. The covered payroll (annual payroll of active employees covered by the plan) was $329,600, and the ratio of the funding excess to the covered payroll was 7.77%.

Teachers Pension Plan

As of October 1, 2007, the most recent actuarial valuation date, the Teachers Pension Plan was 111.6% funded. The actuarial accrued liability for benefits was $1,251,300, and the actuarial value of assets was $1,396,000, resulting in funding excess of $144,700. The covered payroll (annual payroll of active employees covered by the plan) was $338,800, and the ratio of the funding excess to the covered payroll was 42.71%.

The schedules of funding progress, presented as required supplementary RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial value of each plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the provisions of D. C. Code §1-627, the District sponsors a defined contribution pension plan with a qualified trust under Internal Revenue Code (IRC) Section 401(a) for permanent full-time employees covered under the Social Security System. Employees do not contribute to the plan and are eligible to participate after one year of service. The District contributes 5% of base salaries for eligible employees each pay period. This contribution rate is 5.5% of base salaries for detention officers. Contributions and earnings vest fully after four years of service following a one-year waiting period. Contributions and earnings are forfeited 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 year ended September 30, 2008, District contributions to the plan were $35,954.

This plan also covers employees of the Sports and Entertainment Commission, D. C. Housing Authority and Water and Sewer Authority, while the employees of the Housing Finance Agency, Washington Convention Center and the University are covered under their own separate defined contribution plans. At September 30, 2008, there were 13,755 members of the District's defined contribution pension plan.

C. DEFERRED COMPENSATION PLANS

Internal Revenue Code Section 403 Plan

The District sponsors an annuity purchase plan (D. C. Code §31-1252) with insurance companies and other issuers in accordance with IRC Section 403 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 $15.5 of their annual compensation for calendar year 2008. Employees with more than fifteen years of service may defer up to $18.5 for the calendar year 2008. Also an additional deferral of $5 was available to participants who were at least 50 years old before the end of the calendar year. Contributions vest immediately and are not assets of the District.

NOTE 9. RETIREMENT PROGRAMS

Internal Revenue Code Section 457 Plan

The District offers its employees a deferred compensation plan (D. C. Code §47-3601) created in accordance with IRC Section 457. Employees, including teachers, are able to defer the lesser of $15.5 or 100% of includable compensation in calendar year 2008. Also, an additional deferral of $5 is available to participants who are at least 50 years old before the end of the calendar year. Compensation deferred and income earned are taxable when paid, or made available to the participant or beneficiary, upon retirement, death, termination, or unforeseeable emergency. Contributions are not assets of the District, which has no further liability to the plan.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB Plans. The statement became effective for the District in fiscal year 2007. The assets and actuarial accrued liabilities for the District's OPEB plan were initially determined through an actuarial valuation performed as of September 30, 2007, using the required parameters of GASB Statement No. 43.

The Governmental Accounting Standards Board issued Statement 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which specifies the standards to be used for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplementary information, as applicable. This statement became effective for the District in fiscal year 2008 and the District began paying contributions based on an actuarially determined valuation using the parameters of GASB 45 in fiscal year 2008.

As required by GASB Statement Nos. 43 and 45, the District is disclosing the following OPEB information:

a) Plan Description:

The District of Columbia Postretirement Health and Life Insurance Benefit Plan (the Plan) is a single-employer defined benefit healthcare and life insurance plan administered jointly by the Office of Human Resources and the Office of Finance and Treasury. The Plan is administered as an irrevocable trust through which assets are accumulated and benefits are paid as they become due in accordance with the substantive plan. All employees hired after September 30, 1987, and employees who retire under the Teachers Retirement System and Police and Fire Retirement System or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Plan provides medical care and life insurance benefits to eligible employees. D.C. Code §1-622 assigns the authority to establish and amend benefit provisions to the Mayor and the Council of the District of Columbia. The Plan's administrators issue a publicly available financial report that includes financial statements and required supplemental information for the Plan. This report may be obtained from the following location:

Office of Finance and Treasury
D.C. Treasurer
1275 K Street, N.W., 6th Floor
Washington, D.C. 20005

b) Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities.

c) Long-term contracts for contributions to the Plan

As of September 30, 2008, there were no long-term contracts for contributions to the Plan. Consequently, no amount was outstanding.

d) Funding Policy

The contribution requirements of plan members and the District are established and may be

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

amended by the Mayor and the Council of the District of Columbia. The first actuarial valuation of the Plan's assets and liabilities using GASB Statement No. 43 parameters was performed in fiscal year 2007, and the District began paying contributions based on an actuarially determined valuation using the parameters of GASB 45 in fiscal year 2008, as presented in the Schedule of Employer Contributions.

For fiscal year 2008, the District contributed $110.9 million to the Plan. Employee contributions are not required prior to retirement to fund the Plan. After retirement, retirees pay 25% of their health insurance premiums and the District pays the remaining 75%. Participants also pay $0.3575 per $1 of life insurance coverage until age 65 for the 75% reduction option. Participants can also elect a 50% or a 0% reduction, which require additional retiree contributions.

e) Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the District's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. **Table 46** shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan.

Table 46 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations ($000s)

Annual required contribution	$103,400
Interest on net OPEB obligation	$0
Adjustment to annual required contribution	$0
Annual OPEB cost (expense)	$103,400
Contributions made	$110,907
Net OPEB asset	$7,507
Net OPEB obligation – beginning of year	$0
Net OPEB asset – end of year	$7,507

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 and the two preceding years are shown in **Table 47.**

Table 47 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2006 Through 2008)

Fiscal Year Ended	Annual OPEB Cost (millions)	% of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/08	$103.4	107.3%	$0
09/30/07	N/A	N/A	N/A
09/30/06	N/A	N/A	N/A

N/A - Information is not available because the District began paying contributions based on an actuarially determined valuation using GASB 45 parameters in fiscal year 2008.

f) Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the plan was 29.5% funded. The actuarial accrued liability for benefits was $745,200, and the actuarial value of assets was $219,700, resulting in an unfunded actuarial accrued liability (UAAL) of $525,500. The covered payroll (annual payroll of active employees covered by the Plan) was $1,107,100, and the ratio of the UAAL to the covered payroll was 47.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

g) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return, a discount rate of 6.5%; a 5.0% salary increase rate (plus merit scale); and a medical inflation rate ranging between 10% (pre-Medicare) and 9% (post-Medicare) grading to 5.25% over 15 years. The amortization method used was level percent open and the remaining amortization period at September 30, 2008 was 30 years.

NOTE 11. FUND BALANCE/NET ASSETS

Reserved and unreserved at September 30, 2008 are shown in **Table 48a**.

Table 48a - Schedule of FY 2008 Reserved and Unreserved Fund Balance

	General Fund	Federal & Private Resources	General Capital Improvement	Baseball Capital Project	Nonmajor Governmental Funds
Reserved					
Long term assets	$ 8,705	$ -	$ -	$ -	$ -
Emergency/contingency cash	330,238	-	-	-	-
Bond escrow	209,496	-	-	-	-
Other Post Employment Benefits	5,000	-	-	-	-
Subsequent Years' Expenditure	157,727	-	-	-	-
Inventory	15,869	-	-	-	-
Budget	47,454	-	-	-	-
Purpose restrictions	175,488	83,794	-	-	-
Charter School Enrollment Expansion	8,000	-	-	-	-
Capital projects	-	-	586,934	19,602	-
PILOT	-	-	-	-	123,482
Tobacco settlement	-	-	-	-	106,371
Tax increment financing	-	-	-	-	30,098
Housing Production	-	-	-	-	60,063
Community Healthcare	-	-	-	-	36,467
Baseball	-	-	-	-	24,954
Highway projects	-	-	-	-	23,269
Total Reserved Fund Balances	**$ 957,977**	**$ 83,794**	**$ 586,934**	**$ 19,602**	**$ 404,704**
Unreserved					
Designated:					
Other post employment benefits	$ 10,375	$ -	$ -	$ -	$ -
Integrated Service Fund	12,408	-	-	-	-
Budget Support Act	11,830	-	-	-	-
Healthy DC Fund	6,736	-	-	-	-
Fixed Cost	7,646	-	-	-	-
Other Special purposes	151,025	-	-	-	-
Undesignated	86,725	-	-	-	-
Total Unreserved Fund Balances	**$ 286,745**	**$ -**	**$ -**	**$ -**	**$ -**
Total Fund Balances	**$ 1,244,722**	**$ 83,794**	**$ 586,934**	**$ 19,602**	**$ 404,704**

NOTE 11. FUND BALANCE/NET ASSETS

Net assets at September 30, 2008 are shown in **Table 48b**.

Table 48b - Schedule of FY 2008 Net Assets

	Unemployment Compensation Fund	Lottery & Games	Nonmajor Proprietary Fund	Fiduciary Funds
Net Assets				
Invested in capital assets	$ -	$ 364	$ 16,383	$ -
Restricted for future benefits	374,282	-	-	4,055,961
Unrestricted	-	3,457	21,316	-
Total Net Assets	**$ 374,282**	**$ 3,821**	**$ 37,699**	**$ 4,055,961**

NOTE 12. JOINT VENTURE

Washington Metropolitan Area Transit Authority

The Washington Metropolitan Area Transit Authority (WMATA) was created by an Interstate Compact between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89-774. The District's commitment or obligation to provide financial assistance to WMATA is established by annual appropriations, as approved by Congress. The District supports the Transit Authority through operating, debt service and capital grants. The District places the amounts to be provided to WMATA in an escrow account until such time when the funds are drawn down for use by WMATA. Operating grants may be in the form of operating and interest subsidies. WMATA records the District's operating grants as advanced contributions when received and as nonoperating revenues when the related expenses are incurred. WMATA recognizes the District's capital grants as additions to construction in progress and investment in capital assets when the grant resources are expended for capital acquisitions. A summary of the grants provided to WMATA during the year ended September 30, 2008 is shown in **Table 49a.**

Table 49a - Summary of Grants Provided to WMATA

Account	Amount
Operating grants	$ 209,779
Debt service grants	10,331
Capital grants	61,963
Total	**$ 282,073**

The WMATA issues separate audited financial statements that can be requested from the Washington Metropolitan Area Transit Authority, General Manager, 600 5th Street, NW, Washington, D. C. 20001. Information that would allow users of the financial statements to evaluate whether the joint venture is accumulating significant financial resources, or is experiencing fiscal stress that may cause additional financial benefits to or burden to the District and other participating governments in the future is presented in **Table 49b**.

Table 49b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2008

Financial Position	
Total assets	$ 10,429,120
Total liabilities	(2,514,135)
Net assets	$ 7,914,985
Operating Results	
Operating revenues	$ 690,572
Operating expenses	(1,803,396)
Nonoperating revenues, net	629,518
Revenue from capital contributions	252,239
Change in net assets	$ (231,067)
Change in Net Assets	
Net assets, beginning of year	$ 8,146,052
Change in net assets	(231,067)
Net assets, end of year	$ 7,914,985

NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

A. FEDERAL CONTRIBUTION

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 with 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, 2008 totaled $433,206.

B. EMERGENCY PREPAREDNESS

The District, as the nation's capital, serves as the command post and the source of first response to any national threat or terrorist act against the nation. The District did not receive any federal payment for emergency preparedness in fiscal year 2008. In prior years, these funds were made available to assist the District in effectively preparing to respond to potential threats or possible terrorist attacks. As of September 30, 2008, the District had spent $151,659, or 97.3%, of the $155,900 received in fiscal year 2002.

C. GRANTS

The District participates in a number of federal award programs, which are funded through formula and project grants, direct payments for specified and unrestricted use, food stamps and other pass-through grants and direct and guaranteed loans.

The federal government also provides capital grants, which are used for the purchase or construction of capital assets. Capital grants are recorded as intergovernmental revenue in the General Capital Improvements Fund. Federal grants and contributions are shown by function on the government-wide financial statements.

D. WATER AND SEWER SERVICES

The District exercises no oversight responsibility over the Washington Aqueduct, which is owned by the Federal government and operated by the U. S. Army Corps of Engineers. Historically, the District issued long-term debt to finance most of the Aqueduct's capital facilities and the Water and Sewer Authority recorded this debt and related capital costs in its financial statements. In 1997, the Water and Sewer Authority and the other Northern Virginia customers entered into an agreement with the federal government, which provided for the funding of the Washington Aqueduct's capital improvement program directly through borrowings. The Water and Sewer Authority is now responsible for funding only its portion of this debt, other related capital projects, and operating costs calculated as the pro rata share of water purchased. The Water and Sewer Authority records payments for capital costs related to the Washington Aqueduct as purchased capacity. Such costs, which are allocable to other jurisdictions, but funded by the Water and Sewer Authority prior to April 1, 1997, are reported as due from other jurisdictions.

Capital outlays are capitalized and depreciated over 60-years by the Water and Sewer Authority. Total capital outlays including capitalized interest from the U.S. Treasury drawdowns and pay-as-you-go financing were $7,362 for the fiscal year ended September 30, 2008.

NOTE 14. LEASES

A. CAPITAL LEASES

The District leases buildings and equipment under various agreements that are accounted for as capital leases that have varying terms. Capital lease commitments are recorded in the government-wide financial statements.

Capital lease payments are classified as debt service expenditures in the governmental funds. Such expenditures totaled $10,925 in fiscal year 2008.

Equipment Financing Program

The District began its Master Equipment Lease Purchase Program (the Program) in 1998 to provide tax-exempt financing for assets with short-term to intermediate-term useful lives.

As of September 30, 2008, the District financed approximately $237 million of its capital equipment needs through the Program, and had approximately $90 million in principal outstanding. During the year, the average interest rate used to finance equipment through the Program was 4.6%. Payments on the liability are made on a quarterly basis.

NOTE 14. LEASES

Equipment procured under this program included such items as fire apparatus (trucks) and other emergency medical services equipment (ambulances); trucks and cranes used by the Department of Public Works; vehicles used by the Metropolitan Police Department; and other heavy equipment items.

Table 50 shows the schedule of equipment financing program payments.

Table 50 – Schedule of Equipment Financing Program Payments

Year Ending September 30	Principal	Interest	Total
2009	$ 27,951	$ 3,486	$ 31,437
2010	24,897	2,300	27,197
2011	20,897	1,251	22,148
2012	12,084	457	12,541
2013	4,392	78	4,470
Total	**$ 90,221**	**$ 7,572**	**$ 97,793**

B. OPERATING LEASES

Operating leases are not recorded in the statement of net assets. These leases contain various renewal options, the effects of which are reflected in the minimum lease payments only if the options will be exercised. Certain other operating leases contain escalation clauses and contingent rentals that are not included in the calculation of the future minimum lease payments. Operating lease expenditures recorded in governmental funds were $133,801 in 2008.

C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

The present value of future minimum lease payments under capital leases and minimum lease payments for all operating leases having non-cancelable terms in excess of one year at September 30, 2008 are shown in **Table 51.**

Table 51 - Schedule of Future Minimum Lease Payments

	Primary Government		
		Operating Leases	
Year Ending September 30	**Capital Leases**	**Facilities**	**Equipment**
2009	$ 10,923	$ 121,501	$ 2,080
2010	10,920	78,859	1,369
2011	10,714	62,636	705
2012	10,710	51,797	369
2013	10,715	45,779	290
2014-2018	9,774	107,665	-
2019-2023	-	41,124	-
2024-2028	-	16,449	-
Minimum lease payments	**63,756**	**$ 525,810**	**$ 4,813**
Less - imputed interest	(11,353)		
Present value of payments	**$ 52,403**		

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays all claim settlements and judgments out of its General Fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. There are no non-incremental claims adjustment expenses included in the liability for claims and judgments. Claims expenditures and liabilities are reported in the government-wide financial statements when it is probable that loss has occurred and the amount of that loss can be reasonably estimated and in the General Fund when due and payable. These losses include an estimate of claims that have been incurred but not reported.

B. GRANTS AND CONTRACTS

The District has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the District. The audits of these federally assisted programs have not been conducted for the year ended September 30, 2008. As such, the District's compliance with applicable grant and federal requirements will be assessed and established at some future date. An accrual of $1,487 has been provided in the government-wide financial statements to reflect the probable cumulative expenditures that may be disallowed by the granting agencies based on prior experience. Furthermore, an additional $57,858 related to Medicaid and other grants was recognized as part of the accrued liability in the government-wide financial statements.

C. 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 at September 30, 2008.

The accrued liability is based on estimates of the payments that will be made upon judgment or resolution of the claim. This accrued amount is the minimum amount in the range of estimates that have the same probability of occurrence. The sum of excess of the range of probable losses and the minimum range of losses that are reasonably possible which are not accrued is estimated to be $83,858.

A summary of the changes in the accrued liability for claims and judgments in the government-wide financial statements is shown in **Table 52**.

Table 52 - Summary of Changes in Claims and Judgments Accrual

Description	2008	2007
Liability at October 1	**$ 60,462**	**$ 58,876**
Incurred claims	32,677	33,109
Less:		
claims payments/adjustments	(37,237)	(31,523)
Liability at September 30	**$ 55,902**	**$ 60,462**

D. DISABILITY COMPENSATION

The District, through its risk management department, administers a disability compensation program under Title XXIII of the District of Columbia Comprehensive Merit Personnel Act of 1978 (CMPA). This program, which covers all District employees hired under the authority of CMPA, provides compensation for lost wages, medical expenses, and other limited rehabilitation expenses to eligible employees and/or their dependents, where a work-related injury or illness results in disability or death. The benefits are funded on a pay-as-you-go basis. The present value discounted at 3% of projected disability compensation is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table 53**.

Table 53 – Summary of Changes in Disability Compensation Accrual

Description	2008	2007
Liability at October 1	**$ 89,942**	**$ 93,165**
Claims incurred	46,178	24,069
Less-benefit payments/adjustments	(30,369)	(27,292)
Liability at September 30	**$ 105,751**	**$ 89,942**

NOTE 15. COMMITMENTS AND CONTINGENCIES

E. DEBT SERVICE DEPOSIT AGREEMENTS

The District entered into debt service deposit agreements effective through 2014 that exchanged future cash flows of certain special tax fund escrow accounts for a fixed amount received by the District upon entering into the agreements, thus increasing the predictability of cash flows from the earnings on escrow account investments. Upon early termination of an agreement and depending upon the then current interest rates, a termination amount may be owed by the District. At September 30, 2008, unearned revenue of $1,715 related to this agreement was recorded in the government-wide financial statements.

NOTE 16. SUBSEQUENT EVENTS

A. TAX REVENUE ANTICIPATION NOTES

The District issued $400,000 in Tax Revenue Anticipation Notes (TRANs) on December 2, 2008. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs, and the proceeds were used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2009.

The TRANs are general obligations of the District, secured by the District's full faith and credit, and payable from available revenues, including tax revenues, of the District. Operational and other disbursement costs are covered by the TRANs proceeds until periodic taxes, grants and other revenues are received. The notes were issued as fixed-rate notes with an interest rate of 2.50%, priced to yield 1.09%, and will mature on September 30, 2009.

B. INAUGURATION EMERGENCY FUNDING

On January 13, 2009, the federal government announced that it will grant emergency funding to the District to help defray costs associated with the inauguration of President-elect Barack Obama. Because the estimated number of people who will attend the inauguration ranged between 1.5 million and 2 million people, the District requested additional funds for increased public safety, transportation, and security costs. The District has estimated that its costs associated with the inauguration will be approximately $47 million.

C. MADAME TUSSAUDS RETAIL PROJECT TAX INCREMENT FINANCING (TIF) NOTE

In December 2008, the District promised to pay $1,300 to Madame Tussauds Washington, Inc., the developer of the Madame Tussauds retail development located in the District of Columbia. The District issued a Tax Increment Financing (TIF) Note pursuant to the Retail Act of 2004 (D.C. Law 15-185; 51 DCR 5941), effective September 8, 2004, as amended (the Act), and the District of Columbia Home Rule Act, approved April 24, 1973 (P.L.93-198; 87 Stat. 777; D.C. Code, 2001 Ed. §1-201.01 et seq.) as amended (the Home Rule Act). Interest on this Note is to be paid at a rate of 4.50%, which is to be calculated based on a year of 360 days comprised of twelve 30-day months. This Note is: (a) a special limited obligation of the District, without recourse to the District; (b) is not a pledge of, and does not involve, the faith and credit or the taxing power of the District (other than the allocated sales tax increment revenues); and (c) does not constitute lending of the public credit for private undertakings as prohibited in Section 602(a)(2) of the Home Rule Act. The sole source of repayment of the Note is to be Tax Increment Revenues constituting 100% of the annual available sales tax revenues collected in the TIF area occupied by the developer's project, and the District has no obligation to make any payments on this Note other than through the remittance of allocated sales tax increment revenues.

Table 54 shows the summary of debt service requirements for the Madame Tussauds Retail Project TIF Note.

Table 54 – Madame Tussauds TIF Note

	MADAME TUSSAUDS		
September 30	**Principal**	**Interest**	**Total**
2009	$ 74	$ 43	$ 117
2010	109	53	162
2011	114	48	162
2012	120	43	163
2013	125	37	162
2014-2018	717	94	811
2019-2023	41	-	41
Total	$ 1,300	$ 318	$ 1,618

NOTE 16. SUBSEQUENT EVENTS

D. COMPONENT UNITS

Housing Finance Agency

On November 1, 2008, $11,125 of multifamily mortgage revenue bonds (Capitol Gateway) Series 2005 matured. On November 1, 2008, $2,000 of multifamily housing refunding revenue bonds (Southview Apartments I and II Projects) Series 2006 B were redeemed in their entirety. On November 3, 2008, $50,000 of single family revenue bonds Series 2007 B matured. On December 1, 2008, $1,935 of single family mortgage revenue Bonds matured and $3,025 of single family mortgage revenue bonds were redeemed from prepayments. On December 1, 2008, the remaining $80 of multifamily mortgage revenue bonds (Parkway Overlook) 2001 Series D matured. On December 23, 2008, the agency redeemed in their entirety $191,420 of single family mortgage revenue drawdown bonds series 2005. On January 1, 2009, $5,750 of multifamily mortgage revenue refunding bonds (Benning Heights Project) Series 1998 A-1 were redeemed in their entirety. On January 1, 2009, $3,435 of multifamily mortgage revenue refunding bonds (MBIA Insured) (Temple Courts Project) taxable series 1998 A-2 were redeemed in their entirety. On January 1, 2009, $9,070 of multifamily mortgage revenue bonds (Arthur Capper Senior II) Series 2005 matured. Between November 1, 2008 and January 1, 2009, $2,539 of multifamily mortgage revenue bonds were redeemed through sinking fund redemptions.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information presents additional information as mandated by current governmental financial reporting standards.

Schedule of Funding Progress
District of Columbia Retirement Programs

POLICE AND FIREFIGHTERS PLAN
As of September 30, 2008
($000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funding Excess	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2007	$2,672,900	$2,647,300	$25,600	101.0%	$329,600	7.77%
10/01/2006	N/A	N/A	N/A	N/A	N/A	N/A
10/01/2005	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District uses the Aggregate Actuarial Cost Method to determine its annual required contribution (ARC). Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan. Comparable data is not available for prior years.

Schedule of Funding Progress
District of Columbia Retirement Programs

TEACHERS PLAN
As of September 30, 2008
($000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funding Excess	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2007	$1,396,000	$1,251,300	$144,700	111.6%	$338,800	42.71%
10/01/2006	N/A	N/A	N/A	N/A	N/A	N/A
10/01/2005	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District uses the Aggregate Actuarial Cost Method to determine its annual required contribution (ARC). Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan. Comparable data is not available for prior years.

Actuarial Methods and Assumptions

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2008

Valuation Date	September 30, 2008 (projected from April 1, 2008 census)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Discount Rate	6.50%
Rate of Salary Increases	5.0% (plus merit scale)
Rate of Medical Inflation	10% (pre-Medicare) or 9% (post-Medicare) grading to 5.25% over 15 years

The rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Schedule of Funding Progress

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2008

($000s)

	Actuarial Value of Assets	**Actuarial Accrued Liabilities**	**Unfunded Actuarial Accrued Liabilities (UAAL)**	**Funded Ratio**	**Covered Payroll**	**UAAL as a Percentage of Covered Payroll**
09/30/2008	$219,700	$745,200	$525,500	29.5%	$1,107,100	47.5%
09/30/2007	$164,200	$600,100	$435,900	27.4%	$1,090,900	40.0%
09/30/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District began paying contributions based on an actuarially determined valuation using GASB Statement No. 45 parameters in FY 2008.

OTHER SUPPLEMENTARY INFORMATION

This subsection includes the combining and individual fund statements and schedules for the following:

General Fund

Nonmajor Governmental Funds

Fiduciary Funds

Supporting Schedules

GENERAL FUND

The General Fund is used to account for all financial resources that are not required to be accounted for in another fund.

Exhibit A-1

GENERAL FUND
BALANCE SHEET
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	2008	2007
ASSETS		
Cash and cash equivalents (unrestricted)	$ 484,115	$ 602,923
Receivables (net of allowances for uncollectibles):		
Taxes	305,169	288,700
Accounts	87,251	29,670
Intergovernmental	12,947	18,317
Due from component units	14,339	5,165
Interfund	432,253	368,507
Inventories	15,869	15,998
Other current assets	690	3,435
Cash and cash equivalents (restricted)	605,913	947,030
Investments (restricted)	154,002	-
Total current assets	2,112,548	2,279,745
Long term assets	64,499	6,704
Total assets	**$ 2,177,047**	**$ 2,286,449**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Payables:		
Accounts	$ 343,268	$ 402,870
Compensation:		
Salaries and wages	118,310	86,047
Employee benefits	11,136	6,414
Payroll taxes	281	14,533
Other deductions	2,837	2,651
Due to component units	12,456	15,785
Interfund	55,250	30,409
Accrued liabilities:		
Claims and judgments	70	-
Grant disallowances	764	1,300
Medicaid	104,079	59,107
Tax refunds	72,962	54,956
Deferred revenue:		
Property taxes	103,192	75,117
Other	67,965	36,003
Other current liabilities	39,755	7,257
Total liabilities	**932,325**	**792,449**
Fund Balance:		
Reserved	957,977	1,135,459
Unreserved	286,745	358,541
Total fund balance	**1,244,722**	**1,494,000**
Total liabilities and fund balance	**$ 2,177,047**	**$ 2,286,449**

See Accompanying Independent Auditors' Report

Exhibit A-2

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	2008	2007
Revenues:		
Taxes	$ 5,333,118	$ 5,146,007
Licenses and permits	94,988	89,072
Fines and forfeits	99,452	101,971
Charges for services:		
Public	172,928	135,834
Intergovernmental	7,686	6,049
Miscellaneous:		
Public	335,384	315,477
Investment income	70,528	89,425
Operating grants	1,865	2,539
Total revenues	6,115,949	5,886,374
Expenditures:		
Current:		
Governmental direction and support	663,674	532,140
Economic development and regulation	361,866	323,267
Public safety and justice	1,044,456	960,766
Public education system	1,457,941	1,250,769
Human support services	1,718,912	1,512,095
Public works	262,044	223,891
Public transportation	214,905	198,484
Debt service:		
Principal	229,953	216,198
Interest	219,196	193,808
Fiscal charges	25,025	15,002
Total expenditures	6,197,972	5,426,420
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(82,023)	459,954
Other Financing Sources (Uses):		
Debt issuance	2,360	5,440
Refunding debt issuance	675,895	251,155
Premium on sale of bonds	19,773	16,063
Payment to refunded bond escrow agent	(675,385)	(264,334)
Transfers in	74,088	88,759
Transfers out	(323,707)	(501,509)
Sale of capital assets	726	12,168
Total other financing sources (uses)	(226,250)	(392,258)
Special item	58,995	(8,838)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	**(249,278)**	**58,858**
Fund Balance at October 1	**1,494,000**	**1,435,142**
Fund Balance at September 30	**$ 1,244,722**	**$ 1,494,000**

See Accompanying Independent Auditors' Report.

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES
FUNCTION AND OBJECT --GAAP BASIS
Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

Function and Subfunction	Personal Services	Contractual Services	Supplies	Occupancy	Miscel-laneous *	Totals 2008	Totals 2007
Governmental Direction and Support:							
Legislative	$ 17,120	$ 2,784	$ 230	$ 519	$ 1,534	$ 22,187	$ 19,798
Executive	73,234	40,646	398	6,441	82,949	203,668	135,559
Finance	85,875	47,950	728	12,879	123,635	271,067	225,517
Personnel	13,752	16,536	148	1,935	153	32,524	36,650
Administrative	42,024	39,374	428	11,980	33,588	127,394	107,158
Elections	4,298	1,672	156	645	63	6,834	7,458
Total	236,303	148,962	2,088	34,399	241,922	663,674	532,140
Economic Development and Regulation:							
Community development	18,588	20,616	194	2,329	127,885	169,612	174,734
Economic regulation	54,172	11,050	612	11,789	2,291	79,914	78,279
Employment services	18,987	10,461	682	8,233	73,977	112,340	70,254
Total	91,747	42,127	1,488	22,351	204,153	361,866	323,267
Public Safety and Justice:							
Police	435,798	59,282	5,280	28,718	116,093	645,171	585,468
Fire	171,220	6,853	4,427	5,049	39,288	226,837	211,639
Corrections	66,591	75,019	3,079	5,622	3,486	153,797	147,668
Protection	6,984	1,633	227	1,993	387	11,224	10,587
Law	5,648	358	48	926	96	7,076	5,030
Judicial	300	41	2	5	3	351	374
Total	686,541	143,186	13,063	42,313	159,353	1,044,456	960,766
Public Education System:							
Schools	574,574	211,275	27,671	50,088	436,143	1,299,751	1,183,472
Culture	49,750	33,213	989	6,412	67,826	158,190	67,297
Total	624,324	244,488	28,660	56,500	503,969	1,457,941	1,250,769
Human Support Services:							
Health and welfare	282,808	232,045	16,617	72,888	892,094	1,496,452	1,406,585
Human relations	3,990	2,848	154	275	16,657	23,924	22,949
Employment benefits	-	-	-	-	145,586	145,586	34,801
Recreation	36,753	8,739	1,565	5,159	734	52,950	47,760
Total	323,551	243,632	18,336	78,322	1,055,071	1,718,912	1,512,095
Public Works	116,314	88,172	4,218	21,687	31,653	262,044	223,891
Public Transportation	-	-	-	-	214,905	214,905	198,484
Debt Service	-	-	-	-	474,174	474,174	425,007
Net Financing Uses and special item	-	-	-	-	167,255	167,255	401,096
Total expenditures and net sources	$ 2,078,780	$ 910,567	$ 67,853	$ 255,572	$ 3,052,455	$ 6,365,227	$ 5,827,515

See Accompanying Independent Auditors' Report.

*Miscellaneous column includes transfers, subsidies and other payments totaling $2,693,923.

Transfers to: Convention Center [$91,493], Charter Schools [$316,675], UDC [$62,770], Baseball [$49,140], PAYGO [$61,737], TIF [$24,635], DC Contribution to Retirement Pension Plans for Police, Fire & Teachers [$142,964], Mass Transit [$214,905], Other Post Employment Benefits [$110,907], Housing Production [$68,077], Motor Fuel [$41,898], Taxes imposed for Highway Trust Fund [$10,813], Taxes imposed for DDOT Operating Fund [$7,886], Taxes imposed for Capital Projects [$78,220], Housing Authority [$30,983]

Payments for: Medicaid & Other Human Support Services [$985,696], Special Education [$14,597], State Education [$88,699], Arts and Humanities [$8,670], Employment Services [$76,632], Economic Development [$81,449], Housing Community Development [$14,629], Dept. of Transportation [$83,706], Dept. of the Environment [$26,742]

Exhibit A-4

GENERAL FUND
SCHEDULE OF LOCAL SOURCE REVENUES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended September 30, 2008
($000s)

Source	Budget Original	Budget Revised	Actual	Variance Positive (Negative)
Taxes:				
Property:				
Real	$ 1,588,382	1,696,694	1,666,315	(30,379)
Personal	67,620	60,000	59,690	(310)
Total	1,656,002	1,756,694	1,726,005	(30,689)
Sales and use:				
General	887,656	868,138	862,819	(5,319)
Alcoholic beverages	4,944	5,087	5,190	103
Cigarette	19,223	20,990	23,900	2,910
Motor vehicles	48,599	45,571	40,160	(5,411)
Total	960,422	939,786	932,069	(7,717)
Income and franchise:				
Individual income	1,294,711	1,355,947	1,342,799	(13,148)
Corporation franchise	259,021	255,210	286,204	30,994
Unincorporated business	187,084	144,432	126,891	(17,541)
Total	1,740,816	1,755,589	1,755,894	305
Gross receipts:				
Public utility	156,699	153,501	178,532	25,031
Toll telecommunication	58,190	56,637	65,741	9,104
Insurance companies	48,500	48,500	52,636	4,136
Health care providers	11,000	11,000	5,964	(5,036)
Baseball gross receipts	14,000	23,930	-	(23,930)
Total	288,389	293,568	302,873	9,305
Other:				
Deed recordation	190,747	123,786	155,974	32,188
Deed transfers	119,474	100,925	112,434	11,509
Inheritance and estate	31,650	65,742	66,899	1,157
Economic interests	8,000	54,000	54,815	815
Total	349,871	344,453	390,122	45,669
Total taxes	4,995,500	5,090,090	5,106,963	16,873
Licenses and Permits:				
Business licenses	38,045	45,308	48,756	3,448
Nonbusiness permits	31,190	30,582	36,165	5,583
Total	69,235	75,890	84,921	9,031
Fines and Forfeits	118,170	97,420	98,932	1,512
Charges for Services:				
Right of way	-	-	40	40
Other	46,291	48,857	43,453	(5,404)
Total	46,291	48,857	43,493	(5,364)
Miscellaneous:				
Interest	46,749	46,750	62,710	15,960
Other	51,916	69,629	95,800	26,171
Total	98,665	116,379	158,510	42,131
Total local revenues	**5,327,861**	**5,428,636**	**5,492,819**	**64,183**
Transfers and Other sources:				
General obligation bonds	60,000	60,000	16,216	(43,784)
Fund balance released from restrictions	280,980	426,550	426,550	-
Interfund transfer	100,460	98,360	79,384	(18,976)
Total transfers and other sources	**441,440**	**584,910**	**522,150**	**(62,760)**
Total Local Revenues and Sources	**$ 5,769,301**	**6,013,546**	**6,014,969**	**1,423**

See Accompanying Independent Auditors' Report.

Exhibit A-5

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS
Year Ended September 30, 2008
($000s)

	Local Source				Other Source				Totals			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Revenues and Sources:												
Taxes												
Property $	1,656,002	1,756,694	1,726,005	(30,689)	-	-	-	-	1,656,002	1,756,694	1,726,005	(30,689)
Sales and uses	960,422	939,786	932,069	(7,717)	-	-	-	-	960,422	939,786	932,069	(7,717)
Income and franchise	1,740,816	1,755,589	1,755,894	305	-	-	-	-	1,740,816	1,755,589	1,755,894	305
Gross receipts and other taxes	638,260	638,021	692,995	54,974	-	-	-	-	638,260	638,021	692,995	54,974
Total taxes	4,995,500	5,090,090	5,106,963	16,873	-	-	-	-	4,995,500	5,090,090	5,106,963	16,873
Licenses and permits	69,235	75,890	84,921	9,031	-	-	-	-	69,235	75,890	84,921	9,031
Fines and forfeits	118,170	97,420	98,932	1,512	-	-	-	-	118,170	97,420	98,932	1,512
Charges for services	46,291	48,857	43,493	(5,364)	-	-	-	-	46,291	48,857	43,493	(5,364)
Miscellaneous	98,665	116,379	158,510	42,131	-	-	-	-	98,665	116,379	158,510	42,131
Other	-	-	-	-	496,804	510,542	448,972	(61,570)	496,804	510,542	448,972	(61,570)
General obligation bonds	60,000	60,000	16,216	(43,784)	-	-	-	-	60,000	60,000	16,216	(43,784)
Fund balance released from restrictions	280,980	426,550	426,550	-	59,009	46,833	46,833	-	339,989	473,383	473,383	-
Interfund transfer-from lottery and games	72,100	70,000	70,300	300	-	-	-	-	72,100	70,000	70,300	300
Interfund transfer-others	28,360	28,360	9,084	(19,276)	-	-	-	-	28,360	28,360	9,084	(19,276)
Total Revenues and Sources	5,769,301	6,013,546	6,014,969	1,423	555,813	557,375	495,805	(61,570)	6,325,114	6,570,921	6,510,774	(60,147)
Expenditures and Uses:												
Governmental direction and support	337,175	361,460	354,402	7,058	50,468	42,487	27,669	14,818	387,643	403,947	382,071	21,876
Economic development and regulation	241,756	320,210	304,405	15,805	199,385	199,896	134,364	65,532	441,141	520,106	438,769	81,337
Public safety and justice	963,107	977,836	976,359	1,477	73,557	78,026	68,104	9,922	1,036,664	1,055,862	1,044,463	11,399
Public education system	1,284,308	1,347,098	1,322,403	24,695	22,313	23,313	6,629	16,684	1,306,621	1,370,411	1,329,032	41,379
Public education AY09 expenditure	-	91,829	91,829	-	-	-	-	-	-	91,829	91,829	-
Public schools medicaid write off	-	-	26,601	(26,601)	-	-	-	-	-	-	26,601	(26,601)
Human support services	1,541,417	1,536,943	1,497,740	39,203	32,388	35,934	26,364	9,570	1,573,805	1,572,877	1,524,104	48,773
Child & family services medicaid write of	-	-	82,875	(82,875)	-	-	-	-	-	-	82,875	(82,875)
Public works	409,247	412,114	408,983	3,131	163,822	169,713	154,794	14,919	573,069	581,827	563,777	18,050
Workforce investments	21,044	11,927	-	11,927	-	-	-	-	21,044	11,927	-	11,927
Wilson building	4,190	4,190	4,147	43	-	-	-	-	4,190	4,190	4,147	43
Repay bonds and interest	440,707	421,552	420,827	725	-	-	-	-	440,707	421,552	420,827	725
Repay revenue bonds and interest	12,000	12,000	2,512	9,488	-	-	-	-	12,000	12,000	2,512	9,488
Bond fiscal charge	60,000	60,000	16,216	43,784	-	-	-	-	60,000	60,000	16,216	43,784
Interest on short term borrowing	13,334	7,849	7,849	-	-	-	-	-	13,334	7,849	7,849	-
Certificates of participation	32,288	32,288	30,664	1,624	-	-	-	-	32,288	32,288	30,664	1,624
Settlements and judgments fund	21,015	21,015	21,015	-	-	-	-	-	21,015	21,015	21,015	-
Baseball tax transfer	46,397	46,397	46,397	-	-	-	-	-	46,397	46,397	46,397	-
Equipment lease operating	43,755	32,971	29,896	3,075	-	-	-	-	43,755	32,971	29,896	3,075
Pay-go capital	108,152	139,488	139,488	-	-	1,249	1,249	-	108,152	140,737	140,737	-
Schools modernization fund	6,435	4,735	4,716	19	-	-	-	-	6,435	4,735	4,716	19
District retiree health contribution	110,907	110,907	110,907	-	-	-	-	-	110,907	110,907	110,907	-
Cash reserve	50,000	36,525	-	36,525	-	-	-	-	50,000	36,525	-	36,525
Non-departmental agency	20,609	11,073	-	11,073	13,880	6,757	-	6,757	34,489	17,830	-	17,830
Total Expenditures and Uses	5,767,843	6,000,407	5,900,231	100,176	555,813	557,375	419,173	138,202	6,323,656	6,557,782	6,319,404	238,378
Excess of Revenues and Sources Over Expenditures and Uses $	**1,458**	**13,139**	**114,738**	**101,599**	**-**	**-**	**76,632**	**76,632**	**1,458**	**13,139**	**191,370**	**178,231**

See Accompanying Independent Auditors' Report.

Exhibit A-6

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES
Year Ended September 30, 2008
($000s)

		Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
Revenues and Sources:						
Taxes:						
Property	$	1,656,002	100,692	1,756,694	1,726,005	70,003
Sales and use		960,422	(20,636)	939,786	932,069	(28,353)
Income and franchise		1,740,816	14,773	1,755,589	1,755,894	15,078
Other taxes		638,260	(239)	638,021	692,995	54,735
Total taxes		4,995,500	94,590	5,090,090	5,106,963	111,463
Licenses and permits		69,235	6,655	75,890	84,921	15,686
Fines and forfeits		118,170	(20,750)	97,420	98,932	(19,238)
Charges for services		46,291	2,566	48,857	43,493	(2,798)
Miscellaneous		98,665	17,714	116,379	158,510	59,845
Other		496,804	13,738	510,542	448,972	(47,832)
General obligation bonds		60,000	-	60,000	16,216	(43,784)
Fund balance released from restriction		339,989	133,394	473,383	473,383	133,394
Interfund transfer-from lottery and gam		72,100	(2,100)	70,000	70,300	(1,800)
Interfund transfer-others		28,360	-	28,360	9,084	(19,276)
Total Revenues and Sources		6,325,114	245,807	6,570,921	6,510,774	185,660
Expenditures and Uses:						
Governmental direction and support		387,643	16,304	403,947	382,071	5,572
Economic development and regulation		441,141	78,965	520,106	438,769	2,372
Public safety and justice		1,036,664	19,198	1,055,862	1,044,463	(7,799)
Public education system		1,306,621	63,790	1,370,411	1,329,032	(22,411)
Public education AY09 expenditure		-	91,829	91,829	91,829	(91,829)
Public schools medicaid write off		-	-	-	26,601	(26,601)
Human support services		1,573,805	(928)	1,572,877	1,524,104	49,701
Child & family services medicaid write		-	-	-	82,875	(82,875)
Public works		573,069	8,758	581,827	563,777	9,292
Workforce investments		21,044	(9,117)	11,927	-	21,044
Wilson building		4,190	-	4,190	4,147	43
Repay bonds and interest		440,707	(19,155)	421,552	420,827	19,880
Repay revenue bonds and interest		12,000	-	12,000	2,512	9,488
Bond fiscal charge		60,000	-	60,000	16,216	43,784
Interest on short term borrowing		13,334	(5,485)	7,849	7,849	5,485
Certificates of participation		32,288	-	32,288	30,664	1,624
Settlements and judgments fund		21,015	-	21,015	21,015	-
Baseball tax transfer		46,397	-	46,397	46,397	-
Equipment lease operating		43,755	(10,784)	32,971	29,896	13,859
Pay-go capital		108,152	32,585	140,737	140,737	(32,585)
Schools modernization fund		6,435	(1,700)	4,735	4,716	1,719
District retiree health contribution		110,907	-	110,907	110,907	-
Cash reserve		50,000	(13,475)	36,525	-	50,000
Non-departmental agency		34,489	(16,659)	17,830	-	34,489
Total Expenditures and Uses		6,323,656	234,126	6,557,782	6,319,404	4,252
Excess of Revenues and Sources Over Expenditures and Uses	**$**	**1,458**	**11,681**	**13,139**	**191,370**	**189,912**

See Accompanying Independent Auditors' Report.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The **Tax Increment Financing (TIF) Program Fund** is used to account for activities relating to various TIF development initiatives. These activities support new economic development projects.

The **Tobacco Settlement Financing Corporation (TSFC) Fund** is used to account for the tobacco litigation settlement activities of the District of Columbia.

The **Community Health Care Financing Fund** is used to reserve funding to construct health care facilities, a comprehensive assessment to improve the District's urgent and emergent care delivery system and to recommend investments in that system.

The **Housing Production Trust Fund** is to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities.

The **PILOT Special Revenue Fund** is used to account for the proceeds of revenue bonds issued by the Anacostia Waterfront Corporation (AWC) to finance the development costs associated with park and infrastructure projects along the Anacostia River Waterfront.

The **Baseball Project Fund** under the Special Revenue Funds is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes.

Debt Service Fund

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of ballpark revenue bonds.

Capital Project Fund

The **Highway Trust Fund** is used to account for the motor vehicle fuel taxes and other fees collected and used by the District for highway projects.

Exhibit B-1

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	Special Revenue Funds							Capital Project Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	Community Health Care Financing	Housing Production Trust	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2008	2007
ASSETS										
Current Assets:										
Receivables (net of allowances for uncollectibles):										
Accounts	$ 17	$ 32,469	$ -	$ -	$ -	$ -	$ -	$ 358	$ 32,844	$ 34,822
Due from other District entities	-	-	-	-	-	-	-	-	-	87
Interfund	-	-	-	39,087	-	4,202	-	4,934	48,223	69,513
Accrued interest	-	171	-	-	-	-	-	-	171	116
Other current assets	-	41	-	-	-	-	-	188	229	-
Restricted cash and cash equivalents	31,970	73,770	37,817	54,169	123,482	21,011	-	24,203	366,422	250,967
Other long term assets	-	-	-	126,829	-	-	-	-	126,829	92,961
Total assets	$ 31,987	$ 106,451	$ 37,817	$ 220,085	$ 123,482	$ 25,213	$ -	$ 29,683	$ 574,718	$ 448,466
LIABILITIES AND FUND BALANCE										
Current Liabilities:										
Payables:										
Accounts	$ 1,889	$ -	$ 1,350	$ 5,003	$ -	$ -	$ -	$ 5,663	$ 13,905	$ 9,233
Compensation payable	-	-	-	59	-	-	-	224	283	215
Deferred revenue	-	-	-	126,829	-	259	-	527	127,615	93,579
Due to other funds	-	-	-	28,131	-	-	-	-	28,131	845
Accrued liabilities	-	80	-	-	-	-	-	-	80	68
Total liabilities	1,889	80	1,350	160,022	-	259	-	6,414	170,014	103,940
Fund Balance:										
Reserved for special revenue funds	30,098	106,371	36,467	60,063	123,482	24,954	-	-	381,435	326,307
Reserved for capital project fund	-	-	-	-	-	-	-	23,269	23,269	18,219
Total fund balances	30,098	106,371	36,467	60,063	123,482	24,954	-	23,269	404,704	344,526
Total liabilities and fund balances	$ 31,987	$ 106,451	$ 37,817	$ 220,085	$ 123,482	$ 25,213	$ -	$ 29,683	$ 574,718	$ 448,466

See Accompanying Independent Auditors' Report.

Exhibit B-2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	Special Revenue Funds							Capital Project Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	Community Health Care Financing	Housing Production Trust	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2008	2007
Revenues:										
Interest	$ 976	$ 3,117	$ -	$ 2,223	$ -	$ 1,841	$ -	$ 886	$ 9,043	$ 13,804
Other	1,122	42,335	-	4,782	13,568	-	-	12,635	74,442	55,032
Total revenues	2,098	45,452	-	7,005	13,568	1,841	-	13,521	83,485	68,836
Expenditures:										
Governmental direction and support	-	170	-	-	-	-	-	-	170	160
Capital outlay	-	-	-	-	-	-	-	50,369	50,369	44,422
Bond principal payment	4,565	12,585	-	-	2,820	-	2,075	-	22,045	16,191
Interest	5,147	31,603	-	-	3,471	-	27,937	-	68,158	64,961
Fiscal charges	264	-	-	-	-	-	41	-	305	93
Other	7,839	-	8,728	114,980	50	687	-	-	132,284	78,411
Total expenditures	17,815	44,358	8,728	114,980	6,341	687	30,053	50,369	273,331	204,238
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,717)	1,094	(8,728)	(107,975)	7,227	1,154	(30,053)	(36,848)	(189,846)	(135,402)
Other Financing Sources (Uses):										
Transfers in	24,635	-	-	68,077	-	49,140	30,053	41,898	213,803	354,059
Transfers out	-	-	-	-	-	(80,034)	-	-	(80,034)	(41,900)
Total other financing sources	24,635	-	-	68,077	-	(30,894)	30,053	41,898	133,769	312,159
Special item	-	-	-	-	116,255	-	-	-	116,255	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	8,918	1,094	(8,728)	(39,898)	123,482	(29,740)	-	5,050	60,178	176,757
Fund Balances at October 1	21,180	105,277	45,195	99,961	-	54,694	-	18,219	344,526	167,769
Fund Balances at September 30	$ 30,098	$ 106,371	$ 36,467	$ 60,063	$ 123,482	$ 24,954	$ -	$ 23,269	$404,704	$ 344,526

See Accompanying Independent Auditors' Report.

FIDUCIARY FUNDS
(Combining Statements)

The Fiduciary Funds are used to account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and Federal Government at amounts determined by an annual actuarial study. The funds are administered by a thirteen member Retirement Board. Three of these members are appointed by the Mayor and three by the Council. The other members include one each active and retired police officers, fire fighters, and teachers. The administrative costs of the board are accounted for in the funds.

The **Other Post Employment Benefit (OPEB) Trust Fund** is used to account for the receipt of monies for post-employment healthcare and life insurance benefits provided under the Post-Retirement Health and Life Insurance Benefit Plan. Annual District contributions are actuarially determined and paid accordingly. No employee contributions are required prior to retirement to fund the OPEB plan; however, retirees make contributions as required by the associated substantive plan.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow as an agent for individuals, private organizations or other governments.

Exhibit C-1

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2008
(With Comparative Totals at September 30, 2007)
($000s)

	Pension Trust Funds		Other Postemployment Benefit (OPEB)	Totals	
	Police & Fire	**Teachers**	**Trust Fund**	**2008**	**2007***
ASSETS					
Current Assets:					
Cash and cash equivalents - restricted	$ 49,904	$ 25,211	$ 1,603	$ 76,718	$ 151,243
Investments - restricted	2,555,332	1,290,920	218,082	4,064,334	4,627,031
Receivables:					
Accounts	-	7,464	-	7,464	7,464
Due from federal government	1,099	560	-	1,659	1,123
Benefit contribution	1,338	1,160	-	2,498	2,471
Other current assets	291,082	147,051	-	438,133	262,561
Collateral from securities lending transaction	311,603	157,359	-	468,962	534,994
Due from other funds	11	546	-	557	17
Capital assets	26	14	-	40	24
Total assets	**3,210,395**	**1,630,285**	**219,685**	**5,060,365**	**5,586,928**
LIABILITIES					
Current Liabilities:					
Payables:					
Accounts	6,194	5,079	-	11,273	36,277
Securities lending	311,603	157,359	-	468,962	534,994
Due to other funds	733	370	-	1,103	5,900
Other current liabilities	415,139	209,723	-	624,862	474,203
Total liabilities	**733,669**	**372,531**	-	**1,106,200**	**1,051,374**
NET ASSETS					
Net Assets					
Held in trust for pension benefits	**$ 2,476,726**	**$ 1,257,754**	**$ 219,685**	**$ 3,954,165**	**$ 4,535,554**

* Numbers adjusted to reflect changes in agency presentation from prior year.

See Accompanying Independent Auditors' Report

Exhibit C-2

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended September 30, 2008
(With Comparative Totals for the Year Ended September 30, 2007)
($000s)

	Pension Trust Funds		Other Postemployment Benefit Trust	Totals	
	Police & Fire	Teachers	Fund (OPEB)	2008	2007*
Additions:					
Benefit contributions:					
Employer	$ 137,000	$ 6,000	$ 110,907	$ 253,907	$ 301,899
Plan members	31,718	25,919	-	57,637	54,282
Investment income (loss):					
From investment activities					
Interest and dividends	74,197	37,270	6,495	117,962	122,350
Net appreciation (depreciation) in fair value of investments	(585,796)	(294,079)	(58,715)	(938,590)	524,381
Other revenue	1,952	990	-	2,942	-
Less - investment expenses	(8,233)	(4,214)	-	(12,447)	(13,240)
Net income (loss) from investing activities	(517,880)	(260,033)	(52,220)	(830,133)	633,491
From securities lending activities					
Securities lending income	14,184	7,163	-	21,347	26,764
Less: securities lending expenses	(10,790)	(5,449)	-	(16,239)	(25,109)
Net income from securities lending activities	3,394	1,714	-	5,108	1,655
Total net investment income (loss)	(514,486)	(258,319)	(52,220)	(825,025)	635,146
Total additions (deductions)	(345,768)	(226,400)	58,687	(513,481)	991,327
Deductions:					
Administrative expenses	5,750	2,919	1,250	9,919	6,198
Benefit payments	25,364	30,692	1,933	57,989	46,389
Total deductions	31,114	33,611	3,183	67,908	52,587
Change in net assets	**(376,882)**	**(260,011)**	**55,504**	(581,389)	**938,740**
Net assets held in trust for pension benefits:					
October 1	**2,853,608**	**1,517,765**	**164,181**	**4,535,554**	**3,596,814**
September 30	**$ 2,476,726**	**$ 1,257,754**	**$ 219,685**	**$ 3,954,165**	**$ 4,535,554**

* Numbers adjusted to reflect changes in agency presentation from prior year.

See Accompanying Independent Auditors' Report.

Exhibit C-3

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended September 30, 2008
($000s)

	Balance October 1 2007	Additions	Deductions	Balance September 30 2008
ASSETS				
Cash and cash equivalents - restricted	$ 156,848	$ 771,803	$ 800,090	$ 128,561
Due from other funds	4,694	2,891	1,499	6,086
Other receivables	303	521,472	518,149	3,626
Total assets	$ 161,845	$ 1,296,166	$ 1,319,738	$ 138,273
LIABILITIES				
Accounts payable	$ 10,358	$ 34,348	$ 36,205	$ 8,501
Due to other funds	-	17	-	17
Other current liabilities	151,487	313,926	335,658	129,755
Total liabilities	$ 161,845	$ 348,291	$ 371,863	$ 138,273

See Accompanying Independent Auditors' Report.

SUPPORTING SCHEDULES

Supporting schedules are financial presentations used to aggregate and present in greater detail information contained in the financial statements and to present additional information not disclosed in the basic financial statements.

Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2008
($000s)

	Budget Original	Budget Revised	Actual	Variance
Governmental direction and support:				
City council	$ 16,651	19,201	18,824	377
DC auditor	2,517	3,267	2,419	848
Advisory neighborhood commissions	1,089	1,089	945	144
Mayor	6,630	7,238	6,848	390
Executive secretary	3,756	3,720	3,287	433
City administrator	6,979	6,946	6,507	439
Risk management	1,669	1,851	1,800	51
Personnel	9,810	9,710	8,883	827
Finance and resource management	4,878	5,017	4,971	46
Contracts and procurement	6,348	6,348	6,057	291
Chief technology officer	61,867	64,591	64,060	531
Property management	25,072	25,825	21,470	4,355
Contract appeals	999	999	940	59
Elections and ethics	5,254	7,858	7,492	366
Campaign finance	1,720	1,720	1,589	131
Public employee relations	964	988	922	66
Employee appeals	1,858	1,858	1,775	83
Council of governments	381	381	381	-
Corporation counsel	81,136	87,244	82,699	4,545
Office of community affair	2,996	2,996	2,702	294
Serve DC	3,486	3,319	3,265	54
Office of disability right	882	882	566	316
Section 103 expenditures	-	10,000	10,000	-
Inspector general	16,099	17,140	16,565	575
Chief financial officer	148,846	142,241	131,724	10,517
Total governmental direction and support	**411,887**	**432,429**	**406,692**	**25,737**
Economic development and regulation:				
Business services and economic development	138,546	140,000	99,480	40,520
Office of planning	9,351	9,453	8,472	981
Local business development	4,719	5,194	4,493	701
Motion picture and television development	653	922	841	81
Office of zoning	3,150	3,150	3,094	56
Housing and community development	131,628	138,398	89,387	49,011
Alcoholic beverage regulation administration	6,833	6,833	5,275	1,558
Employment services	115,874	161,060	141,284	19,776
Real property assessment and appeals	727	731	693	38
Consumer and regulatory affairs	40,476	40,825	37,398	3,427
Commission on arts & humanities	11,411	11,202	10,483	719
Public services commission	8,645	8,836	8,695	141
Office of people's counsel	4,883	4,883	4,865	18
Insurance regulation	17,744	17,894	14,651	3,243
Housing authority subsidy	30,983	30,983	30,983	-
Housing production trust fund subsidy	46,533	76,533	70,589	5,944
Office of tenant advocate	1,824	1,824	1,523	301
Office of cable TV	7,246	7,756	6,942	814
Total economic development and regulation	**581,226**	**666,477**	**539,148**	**127,329**
Public safety and justice:				
Police	482,946	488,990	486,395	2,595
Fire and emergency medical services	178,111	189,051	188,977	74
Police and firefighter retirement contribution	137,000	137,000	137,000	-
Corrections	153,271	153,411	152,744	667
National guard	7,363	5,651	4,822	829
Emergency preparedness	95,494	50,456	46,869	3,587
Judicial disabilities and tenure	248	264	249	15
Judicial nomination	144	144	103	41
Citizen complaint review board	2,473	2,334	2,283	51
Advisory commission on sentencing	723	623	583	40
Office of the chief medical examiner	10,633	9,223	9,166	57
Office of administrative hearings	7,751	7,153	7,077	76
Corrections information council	115	57	-	57
Criminal justice coordinating council	1,684	2,350	1,864	486
Forensic health and science laboratory	5,686	1,481	1,476	5
Office of victim serveices	13,813	16,787	11,301	5,486
Office of justice grant administration	5,766	5,442	5,442	-
Section 103 expenses	-	3,773	3,773	-
Office of unified communications	45,055	44,520	40,578	3,942
Total public safety and justice	**1,148,276**	**1,118,710**	**1,100,702**	**18,008**

(Continued)

Exhibit D-1

FINANCIAL REPORTING ENTITY

SCHEDULE OF BUDGETARY BASIS EXPENDITURES

Year Ended September 30, 2008
($000s)

	Budget			
	Original	Revised	Actual	Variance
Public education system:				
Public schools	817,865	894,487	878,522	15,965
AY09 public school expenditure	-	517	517	-
Public schools medicaid write off	-	-	26,601	(26,601)
Teachers' retirement system	6,000	6,000	5,964	36
State education office	318,552	367,478	264,766	102,712
Public charter schools	320,366	232,274	225,363	6,911
AY09 public charter school expenditure	-	91,312	91,312	-
Public education facilities modernization	6,000	35,118	34,981	137
University	62,570	62,770	62,770	-
Public library	46,809	46,866	45,925	941
DC public charter school board	3,069	3,069	1,719	1,350
Section 103 expenses	-	1,435	1,435	-
Special education tran AY09	-	171	171	-
Arts and humanities	2,442	6,942	2,467	4,475
Total public education system	**1,583,673**	**1,748,439**	**1,642,513**	**105,926**
Human support services:				
Human development	346,438	298,874	286,910	11,964
Child and family services	218,963	239,109	230,579	8,530
Child & family services medicaid write off	-	-	82,875	(82,875)
Dept of mental health	216,213	220,686	214,519	6,167
Health	1,966,784	2,018,781	1,815,701	203,080
Recreation and parks	50,786	54,336	54,133	203
Aging	23,858	25,254	23,767	1,487
Unemployment compensation contribution	5,800	6,459	6,459	-
Employee disability compensation	30,280	28,220	28,220	-
Human rights	3,193	3,761	3,246	515
Children investment trust	14,030	20,811	20,811	-
Latino affairs	4,123	4,149	4,120	29
Asian and pacific islander affairs	939	966	940	26
Veterans' affairs	350	350	295	55
Depart of youth rehabilitation services	79,705	85,612	84,463	1,149
Depart on disability services	112,560	109,852	107,910	1,942
Total human support services	**3,074,022**	**3,117,220**	**2,964,948**	**152,272**
Public works:				
Public works	129,313	130,173	129,293	880
Department of transportation	131,898	141,359	141,016	343
Department of motor vehicles	45,103	42,737	38,668	4,069
Taxicab commission	2,184	2,184	1,620	564
Washington metropolitan area transit commission	113	113	113	-
Washington metropolitan area transit authority	214,909	214,909	214,905	4
Department of environment	65,771	68,328	55,395	12,933
School transit subsidy	5,420	5,420	5,420	-
Total public works	**594,711**	**605,223**	**586,430**	**18,793**
Other:				
Repay revenue bonds and interest	12,000	12,000	2,512	9,488
Repayment of bonds and interest	440,707	421,552	420,827	725
Bond fiscal charge paid from bond proceeds	60,000	60,000	16,216	43,784
Interest on short term borrowing	13,334	7,849	7,849	-
Certificates of participation	32,288	32,288	30,664	1,624
Settlements and judgments	21,015	21,015	21,015	-
Emergency planning and security costs	-	11,215	11,215	-
Wilson Building	4,190	4,190	4,147	43
Workforce investment	21,044	11,927	-	11,927
Equipment lease operating	43,755	32,971	29,896	3,075
Baseball dedicated tax transfer	46,397	46,397	46,397	-
Pay-go capital	108,152	140,737	140,737	-
Schools modernization fund	6,435	4,735	4,716	19
District retiree health contribution	110,907	110,907	110,907	-
Cash reserve	50,000	36,525	-	36,525
Non-departmental agency	34,489	17,830	-	17,830
Retirement board administration	33,249	33,249	20,943	12,306
Housing finance agency	7,207	7,207	-	7,207
Total other	**1,045,169**	**1,012,594**	**868,041**	**144,553**
Total budget	**$ 8,438,964**	**8,701,092**	**8,108,474**	**592,618**

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2008
($000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
City council	$ 16,651	19,201	18,824	377	-	-	-	-
DC auditor	2,517	3,267	2,419	848	-	-	-	-
Advisory neighborhood commissions	1,089	1,089	945	144	-	-	-	-
Mayor	6,630	7,235	6,847	388	-	-	-	-
Executive secretary	3,341	3,141	2,796	345	-	-	-	-
City administrator	6,979	6,846	6,507	339	-	-	-	-
Risk management	1,669	1,851	1,800	51	-	-	-	-
Personnel	9,251	9,151	8,694	457	-	-	-	-
Finance and resource management	4,878	5,017	4,971	46	-	-	-	-
Contracts and procurement	5,568	5,568	5,414	154	-	-	-	-
Chief technology officer	61,767	64,491	64,054	437	-	-	-	-
Property management	16,677	17,430	16,491	939	-	-	-	-
Contract appeals	999	999	940	59	-	-	-	-
Elections and ethics	5,254	5,554	5,245	309	-	2,304	2,247	57
Campaign finance	1,720	1,720	1,589	131	-	-	-	-
Public employee relations	964	988	922	66	-	-	-	-
Employee appeals	1,858	1,858	1,775	83	-	-	-	-
Council of governments	381	381	381	-	-	-	-	-
Corporation counsel	58,670	62,759	61,899	860	18,260	20,279	16,888	3,391
Office of community affair	2,996	2,996	2,702	294	-	-	-	-
Serve DC	279	346	328	18	3,207	2,971	2,935	36
Office of disability right	882	882	566	316	-	-	-	-
Section 103 expenditures	-	10,000	10,000	-	-	-	-	-
Inspector general	14,199	15,214	14,886	328	1,900	1,926	1,679	247
Chief financial officer	111,956	113,476	113,406	70	877	877	857	20
Total governmental direction and support	**337,175**	**361,460**	**354,402**	**7,058**	**24,244**	**28,357**	**24,606**	**3,751**
Economic development and regulation:								
Business services and economic development	64,468	66,968	63,129	3,839	350	-	-	-
Office of planning	8,760	8,750	8,034	716	576	663	430	233
Local business development	4,219	4,447	3,932	515	-	-	-	-
Motion picture and television development	653	922	841	81	-	-	-	-
Office of zoning	3,150	3,150	3,094	56	-	-	-	-
Housing and community development	1,967	3,426	3,346	80	100,764	106,075	69,948	36,127
Alcoholic beverage regulation administration	1,000	1,000	342	658	-	-	-	-
Employment services	46,119	89,918	86,415	3,503	37,524	38,611	29,293	9,318
Real property assessment and appeals	727	731	693	38	-	-	-	-
Consumer and regulatory affairs	21,774	22,123	22,115	8	-	-	-	-
Commission on arts & humanities	10,379	10,235	9,887	348	632	592	581	11
Public services commission	-	-	-	-	159	200	127	73
Office of people's counsel	-	-	-	-	-	-	-	-
Insurance regulation	-	-	-	-	-	150	-	150
Housing authority subsidy	30,983	30,983	30,983	-	-	-	-	-
Housing production trust fund subsidy	46,533	76,533	70,589	5,944	-	-	-	-
Office of tenant advocate	1,024	1,024	1,005	19	-	-	-	-
Office of cable TV	-	-	-	-	-	-	-	-
Total economic development and regulation	**241,756**	**320,210**	**304,405**	**15,805**	**140,005**	**146,291**	**100,379**	**45,912**
Public safety and justice:								
Police	466,816	472,693	471,889	804	2,397	3,007	2,594	413
Fire and emergency medical services	178,111	187,875	187,868	7	-	376	376	-
Police and firefighter retirement contribution	137,000	137,000	137,000	-	-	-	-	-
Corrections	117,171	116,871	116,648	223	-	440	-	440
National guard	3,824	2,842	2,828	14	3,539	2,809	1,994	815
Emergency preparedness	5,014	4,755	4,639	116	90,480	45,701	42,230	3,471
Judicial disabilities and tenure	248	264	249	15	-	-	-	-
Judicial nomination	144	144	103	41	-	-	-	-
Citizen complaint review board	2,473	2,332	2,282	50	-	-	-	-
Advisory commission on sentencing	723	623	583	40	-	-	-	-
Office of the chief medical examiner	10,468	9,058	9,005	53	-	-	-	-
Office of administrative hearings	7,701	7,103	7,078	25	-	-	-	-
Corrections information council	115	57	-	57	-	-	-	-
Criminal justice coordinating council	384	402	398	4	1,300	1,757	1,367	390
Forensic health and science laboratory	1,686	1,481	1,476	5	4,000	-	-	-
Office of victim serveices	2,505	2,105	2,094	11	4,022	2,927	2,136	791
Office of justice grant administration	92	222	222	-	5,674	5,220	5,220	-
Section 103 expenses	-	3,773	3,773	-	-	-	-	-
Office of unified communications	28,632	28,236	28,224	12	-	-	-	-
Total public safety and justice	**963,107**	**977,836**	**976,359**	**1,477**	**111,412**	**62,237**	**55,917**	**6,320**

(Continued)

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2008
($000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
City council	$ -	-	-	-	-	-	-	-
DC auditor	-	-	-	-	-	-	-	-
Advisory neighborhood commissions	-	-	-	-	-	-	-	-
Mayor	-	3	1	2	-	-	-	-
Executive secretary	-	20	12	8	415	559	479	80
City administrator	-	100	-	100	-	-	-	-
Risk management	-	-	-	-	-	-	-	-
Personnel	-	-	-	-	559	559	189	370
Finance and resource management	-	-	-	-	-	-	-	-
Contracts and procurement	-	-	-	-	780	780	643	137
Chief technology officer	-	-	-	-	100	100	6	94
Property management	-	-	-	-	8,395	8,395	4,979	3,416
Contract appeals	-	-	-	-	-	-	-	-
Elections and ethics	-	-	-	-	-	-	-	-
Campaign finance	-	-	-	-	-	-	-	-
Public employee relations	-	-	-	-	-	-	-	-
Employee appeals	-	-	-	-	-	-	-	-
Council of governments	-	-	-	-	-	-	-	-
Corporation counsel	-	-	-	-	4,206	4,206	3,912	294
Office of community affair	-	-	-	-	-	-	-	-
Serve DC	-	2	2	-	-	-	-	-
Office of disability right	-	-	-	-	-	-	-	-
Section 103 expenditures	-	-	-	-	-	-	-	-
Inspector general	-	-	-	-	-	-	-	-
Chief financial officer	-	-	-	-	36,013	27,888	17,461	10,427
Total governmental direction and support	**-**	**125**	**15**	**110**	**50,468**	**42,487**	**27,669**	**14,818**
Economic development and regulation:								
Business services and economic development	-	-	-	-	73,728	73,032	36,351	36,681
Office of planning	-	-	-	-	15	40	8	32
Local business development	-	-	-	-	500	747	561	186
Motion picture and television development	-	-	-	-	-	-	-	-
Office of zoning	-	-	-	-	-	-	-	-
Housing and community development	-	-	-	-	28,897	28,897	16,093	12,804
Alcoholic beverage regulation administration	-	-	-	-	5,833	5,833	4,933	900
Employment services	80	80	-	80	32,151	32,451	25,576	6,875
Real property assessment and appeals	-	-	-	-	-	-	-	-
Consumer and regulatory affairs	-	-	-	-	18,702	18,702	15,283	3,419
Commission on arts & humanities	-	-	-	-	400	375	15	360
Public services commission	-	-	-	-	8,486	8,636	8,568	68
Office of people's counsel	-	-	-	-	4,883	4,883	4,865	18
Insurance regulation	-	-	-	-	17,744	17,744	14,651	3,093
Housing authority subsidy	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	800	800	518	282
Office of cable TV	-	-	-	-	7,246	7,756	6,942	814
Total economic development and regulation	**80**	**80**	**-**	**80**	**199,385**	**199,896**	**134,364**	**65,532**
Public safety and justice:								
Police	200	357	222	135	13,533	12,933	11,690	1,243
Fire and emergency medical services	-	-	-	-	-	800	733	67
Police and firefighter retirement contribution	-	-	-	-	-	-	-	-
Corrections	-	-	-	-	36,100	36,100	36,096	4
National guard	-	-	-	-	-	-	-	-
Emergency preparedness	-	-	-	-	-	-	-	-
Judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination	-	-	-	-	-	-	-	-
Citizen complaint review board	-	2	1	1	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
Office of the chief medical examiner	-	-	-	-	165	165	161	4
Office of administrative hearings	-	-	-	-	50	50	(1)	51
Corrections information council	-	-	-	-	-	-	-	-
Criminal justice coordinating council	-	191	99	92	-	-	-	-
Forensic health and science laboratory	-	-	-	-	-	-	-	-
Office of victim serveices	-	-	-	-	7,286	11,755	7,071	4,684
Office of justice grant administration	-	-	-	-	-	-	-	-
Section 103 expenses	-	-	-	-	-	-	-	-
Office of unified communications	-	61	-	61	16,423	16,223	12,354	3,869
Total public safety and justice	**200**	**611**	**322**	**289**	**73,557**	**78,026**	**68,104**	**9,922**

(Continued)

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2008
($000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
Public schools	$ 778,067	847,582	841,023	6,559	23,832	28,721	25,233	3,488
AY09 public school expenditure	-	517	517	-	-	-	-	-
Public schools medicaid write off	-	-	26,601	(26,601)	-	-	-	-
Teachers' retirement contribution	6,000	6,000	5,964	36	-	-	-	-
State education office	61,905	108,899	102,998	5,901	246,325	248,257	161,622	86,635
Public charter schools	320,366	232,274	225,363	6,911	-	-	-	-
AY09 public charter school expenditure	-	91,312	91,312	-	-	-	-	-
Public education facilities modernization	6,000	35,118	34,981	137	-	-	-	-
University	62,570	62,770	62,770	-	-	-	-	-
Public library	45,239	45,239	44,563	676	842	959	923	36
DC public charter school board	1,719	1,719	1,719	-	-	-	-	-
Section 103 expenses	-	384	384	-	-	1,051	1,051	-
Special education tran AY09	-	171	171	-	-	-	-	-
Arts and humanities	2,442	6,942	2,467	4,475	-	-	-	-
Total public education system	**1,284,308**	**1,438,927**	**1,440,833**	**(1,906)**	**270,999**	**278,988**	**188,829**	**90,159**
Human support services:								
Human development	179,567	140,001	137,874	2,127	163,588	155,588	146,194	9,394
Child and family services	188,306	195,136	191,390	3,746	29,884	42,191	37,692	4,499
Child & family services medicaid write off	-	-	82,875	(82,875)	-	-	-	-
Dept of mental health	209,980	209,980	207,627	2,353	2,425	6,880	4,285	2,595
Health	677,613	692,534	664,808	27,726	1,272,733	1,306,991	1,138,591	168,400
Recreation and parks	47,358	49,070	49,029	41	-	-	(24)	24
Aging	17,443	17,668	17,198	470	6,415	7,586	6,569	1,017
Unemployment compensation contribution	5,800	6,459	6,459	-	-	-	-	-
Employee disability compensation	30,280	28,220	28,220	-	-	-	-	-
Human rights	2,839	2,914	2,605	309	354	847	641	206
Children investment trust	14,030	20,811	20,811	-	-	-	-	-
Latino affairs	4,123	4,149	4,120	29	-	-	-	-
Asian and pacific islander affairs	939	955	930	25	-	-	-	-
Veterans' affairs	350	350	295	55	-	-	-	-
Depart of youth rehabilitation services	79,705	85,612	84,463	1,149	-	-	-	-
Depart on disability services	83,084	83,084	81,911	1,173	23,776	21,968	21,934	34
Total human support services	**1,541,417**	**1,536,943**	**1,580,615**	**(43,672)**	**1,499,175**	**1,542,051**	**1,355,882**	**186,169**
Public works:								
Public works	118,792	119,652	119,618	34	-	-	-	-
Department of transportation	17,667	18,523	18,450	73	2,890	4,051	3,966	85
Department of motor vehicles	32,618	30,091	28,426	1,665	-	161	-	161
Taxicab commission	1,574	1,574	1,335	239	-	-	-	-
Washington metropolitan area transit commission	113	113	113	-	-	-	-	-
Washington metropolitan area transit authority	214,909	214,909	214,905	4	-	-	-	-
Department of environment	18,154	21,832	20,716	1,116	18,252	17,972	17,475	497
School transit subsidy	5,420	5,420	5,420	-	-	-	-	-
Total public works	**409,247**	**412,114**	**408,983**	**3,131**	**21,142**	**22,184**	**21,441**	**743**
Other:								
Repay revenue bonds and interest	12,000	12,000	2,512	9,488	-	-	-	-
Repayment of bonds and interest	440,707	421,552	420,827	725	-	-	-	-
Bond fiscal charge paid from bond proceeds	60,000	60,000	16,216	43,784	-	-	-	-
Interest on short term borrowing	13,334	7,849	7,849	-	-	-	-	-
Certificates of participation	32,288	32,288	30,664	1,624	-	-	-	-
Settlements and judgments	21,015	21,015	21,015	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	11,215	11,215	-
Wilson Building	4,190	4,190	4,147	43	-	-	-	-
Workforce investment	21,044	11,927	-	11,927	-	-	-	-
Equipment lease operating	43,755	32,971	29,896	3,075	-	-	-	-
Baseball dedicated tax transfer	46,397	46,397	46,397	-	-	-	-	-
Pay-go capital	108,152	139,488	139,488	-	-	-	-	-
Schools modernization fund	6,435	4,735	4,716	19	-	-	-	-
District retiree health contribution	110,907	110,907	110,907	-	-	-	-	-
Cash reserve	50,000	36,525	-	36,525	-	-	-	-
Non-departmental agency	20,609	11,073	-	11,073	-	-	-	-
Retirement board administration	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
Total other	**990,833**	**952,917**	**834,634**	**118,283**	**-**	**11,215**	**11,215**	**-**
Total budget	**$ 5,767,843**	**6,000,407**	**5,900,231**	**100,176**	**2,066,977**	**2,091,323**	**1,758,269**	**333,054**

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2008
($000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
Public schools	$ 5,962	7,180	6,194	986	10,004	11,004	6,072	4,932
AY09 public school expenditure	-	-	-	-	-	-	-	-
Public schools medicaid write off	-	-	-	-	-	-	-	-
Teachers' retirement contribution	-	-	-	-	-	-	-	-
State education office	-	-	-	-	10,322	10,322	146	10,176
Public charter schools	-	-	-	-	-	-	-	-
AY09 public charter school expenditure	-	-	-	-	-	-	-	-
Public education facilities modernization	-	-	-	-	-	-	-	-
University	-	-	-	-	-	-	-	-
Public library	91	31	28	3	637	637	411	226
DC public charter school board	-	-	-	-	1,350	1,350	-	1,350
Section 103 expenses	-	-	-	-	-	-	-	-
Special education tran AY09	-	-	-	-	-	-	-	-
Arts and humanities	-	-	-	-	-	-	-	-
Total public education system	6,053	7,211	6,222	989	22,313	23,313	6,629	16,684
Human support services:								
Human development	83	85	66	19	3,200	3,200	2,776	424
Child and family services	23	444	309	135	750	1,338	1,188	150
Child & family services medicaid write off	-	-	-	-	-	-	-	-
Dept of mental health	-	18	18	-	3,808	3,808	2,589	1,219
Health	-	560	551	9	16,438	18,696	11,751	6,945
Recreation and parks	936	1,174	1,133	41	2,492	4,092	3,995	97
Aging	-	-	-	-	-	-	-	-
Unemployment compensation contribution	-	-	-	-	-	-	-	-
Employee disability compensation	-	-	-	-	-	-	-	-
Human rights	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Latino affairs	-	-	-	-	-	-	-	-
Asian and pacific islander affairs	-	11	10	1	-	-	-	-
Veterans' affairs	-	-	-	-	-	-	-	-
Depart of youth rehabilitation services	-	-	-	-	-	-	-	-
Depart on disability services	-	-	-	-	5,700	4,800	4,065	735
Total human support services	1,042	2,292	2,087	205	32,388	35,934	26,364	9,570
Public works:								
Public works	-	-	-	-	10,521	10,521	9,675	846
Department of transportation	500	758	758	-	110,841	118,027	117,842	185
Department of motor vehicles	-	-	-	-	12,485	12,485	10,242	2,243
Taxicab commission	-	-	-	-	610	610	285	325
Washington metropolitan area transit commission	-	-	-	-	-	-	-	-
Washington metropolitan area transit authority	-	-	-	-	-	-	-	-
Department of environment	-	454	454	-	29,365	28,070	16,750	11,320
School transit subsidy	-	-	-	-	-	-	-	-
Total public works	500	1,212	1,212	-	163,822	169,713	154,794	14,919
Other:								
Repay revenue bonds and interest	-	-	-	-	-	-	-	-
Repayment of bonds and interest	-	-	-	-	-	-	-	-
Bond fiscal charge paid from bond proceeds	-	-	-	-	-	-	-	-
Interest on short term borrowing	-	-	-	-	-	-	-	-
Certificates of participation	-	-	-	-	-	-	-	-
Settlements and judgments	-	-	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-	-	-
Wilson Building	-	-	-	-	-	-	-	-
Workforce investment	-	-	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-	-	-
Baseball dedicated tax transfer	-	-	-	-	-	-	-	-
Pay-go capital	-	-	-	-	-	1,249	1,249	-
Schools modernization fund	-	-	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-	-	-
Cash reserve	-	-	-	-	-	-	-	-
Non-departmental agency	-	-	-	-	13,880	6,757	-	6,757
Retirement board administration	-	-	-	-	33,249	33,249	20,943	12,306
Housing finance agency	-	-	-	-	7,207	7,207	-	7,207
Total other	-	-	-	-	54,336	48,462	22,192	26,270
Total budget	$ 7,875	11,531	9,858	1,673	596,269	597,831	440,116	157,715

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2008
($000s)

	Local Source			Federal Resources		
	Original Budget	**Repro-gramming**	**Revised Budget**	**Original Budget**	**Repro-gramming**	**Revised Budget**
Revenues and Sources:						
Taxes:						
Property taxes	$ 1,656,002	100,692	1,756,694	-	-	-
Sales and use taxes	960,422	(20,636)	939,786	-	-	-
Income taxes	1,740,816	14,773	1,755,589	-	-	-
Other taxes	638,260	(239)	638,021	-	-	-
Total taxes	4,995,500	94,590	5,090,090	-	-	-
Licenses and permits	69,235	6,655	75,890	-	-	-
Fines and forfeits	118,170	(20,750)	97,420	-	-	-
Charges for services	46,291	2,566	48,857	-	-	-
Miscellaneous	98,665	17,714	116,379	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	67,652	22,996	90,648
Operating grant	-	-	-	1,999,325	(13,386)	1,985,939
General obligation bonds	60,000	-	60,000	-	-	-
Fund balance released from restrictions	280,980	145,570	426,550	-	14,736	14,736
Transfer in from Lottery Board	72,100	(2,100)	70,000	-	-	-
Transfer in-others	28,360	-	28,360	-	-	-
Total revenues and sources	**5,769,301**	**244,245**	**6,013,546**	**2,066,977**	**24,346**	**2,091,323**
Expenditures and Uses:						
Governmental direction and support	337,175	24,285	361,460	24,244	4,113	28,357
Economic development and regulation	241,756	78,454	320,210	140,005	6,286	146,291
Public safety and justice	963,107	14,729	977,836	111,412	(49,175)	62,237
Public education system	1,284,308	62,790	1,347,098	270,999	7,989	278,988
Public education AY09 expenditure	-	91,829	91,829	-	-	-
Human support services	1,541,417	(4,474)	1,536,943	1,499,175	42,876	1,542,051
Public works	409,247	2,867	412,114	21,142	1,042	22,184
Workforce investments	21,044	(9,117)	11,927	-	-	-
Wilson Building	4,190	-	4,190	-	-	-
Repay revenue bonds and interest	12,000	-	12,000	-	-	-
Repayment of bonds and interest	440,707	(19,155)	421,552	-	-	-
Bond fiscal charge paid from bond proceeds	60,000	-	60,000	-	-	-
Interest on short term borrowing	13,334	(5,485)	7,849	-	-	-
Certificates of participation	32,288	-	32,288	-	-	-
Equipment lease operating	43,755	(10,784)	32,971	-	-	-
Baseball dedicated tax transfer	46,397	-	46,397	-	-	-
Pay-go capital	108,152	31,336	139,488	-	-	-
Schools modernization fund	6,435	(1,700)	4,735	-	-	-
District retiree health contribution	110,907	-	110,907	-	-	-
Cash reserve	50,000	(13,475)	36,525	-	-	-
Non departmental	20,609	(9,536)	11,073	-	-	-
Emergency planning and security costs	-	-	-	-	11,215	11,215
Retirement board administration	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
Settlements and judgments	21,015	-	21,015	-	-	-
Total expenditures and uses	**5,767,843**	**232,564**	**6,000,407**	**2,066,977**	**24,346**	**2,091,323**
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses	**$ 1,458**	**11,681**	**13,139**	**-**	**-**	**-**

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2008
($000s)

	Private and Other			Totals		
	Original Budget	**Repro-gramming**	**Revised Budget**	**Original Budget**	**Repro-gramming**	**Revised Budget**
Revenues and Sources:						
Taxes:						
Property taxes $	-	-	-	1,656,002	100,692	1,756,694
Sales and use taxes	-	-	-	960,422	(20,636)	939,786
Income taxes	-	-	-	1,740,816	14,773	1,755,589
Other taxes	-	-	-	638,260	(239)	638,021
Total taxes	-	-	-	4,995,500	94,590	5,090,090
Licenses and permits	-	-	-	69,235	6,655	75,890
Fines and forfeits	-	-	-	118,170	(20,750)	97,420
Charges for services	-	-	-	46,291	2,566	48,857
Miscellaneous	-	-	-	98,665	17,714	116,379
Other	537,260	13,738	550,998	537,260	13,738	550,998
Federal contributions	-	-	-	67,652	22,996	90,648
Operating grant	7,875	3,656	11,531	2,007,200	(9,730)	1,997,470
General obligation bonds	-	-	-	60,000	-	60,000
Fund balance released from restrictions	59,009	(12,176)	46,833	339,989	148,130	488,119
Transfer in from Lottery Board	-	-	-	72,100	(2,100)	70,000
Transfer in-others	-	-	-	28,360	-	28,360
Total revenues and sources	**604,144**	**5,218**	**609,362**	**8,440,422**	**273,809**	**8,714,231**
Expenditures and Uses:						
Governmental direction and support	50,468	(7,856)	42,612	411,887	20,542	432,429
Economic development and regulation	199,465	511	199,976	581,226	85,251	666,477
Public safety and justice	73,757	4,880	78,637	1,148,276	(29,566)	1,118,710
Public education system	28,366	2,158	30,524	1,583,673	72,937	1,656,610
Public education FY09 expenditure	-	-	-	-	91,829	91,829
Human support services	33,430	4,796	38,226	3,074,022	43,198	3,117,220
Public works	164,322	6,603	170,925	594,711	10,512	605,223
Workforce investments	-	-	-	21,044	(9,117)	11,927
Wilson Building	-	-	-	4,190	-	4,190
Repay revenue bonds and interest	-	-	-	12,000	-	12,000
Repayment of bonds and interest	-	-	-	440,707	(19,155)	421,552
Bond fiscal charge paid from bond proceeds	-	-	-	60,000	-	60,000
Interest on short term borrowing	-	-	-	13,334	(5,485)	7,849
Certificates of participation	-	-	-	32,288	-	32,288
Equipment lease operating	-	-	-	43,755	(10,784)	32,971
Baseball dedicated tax transfer	-	-	-	46,397	-	46,397
Pay-go capital	-	1,249	1,249	108,152	32,585	140,737
Schools modernization fund	-	-	-	6,435	(1,700)	4,735
District retiree health contribution	-	-	-	110,907	-	110,907
Cash reserve	-	-	-	50,000	(13,475)	36,525
Non departmental	13,880	(7,123)	6,757	34,489	(16,659)	17,830
Emergency planning and security costs	-	-	-	-	11,215	11,215
Retirement board administration	33,249	-	33,249	33,249	-	33,249
Housing finance agency	7,207	-	7,207	7,207	-	7,207
Settlements and judgments	-	-	-	21,015	-	21,015
Total expenditures and uses	**604,144**	**5,218**	**609,362**	**8,438,964**	**262,128**	**8,701,092**
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses $	-	-	-	**1,458**	**11,681**	**13,139**

CAFR 2008

Comprehensive Annual Financial Report

Year Ended September 30, 2008

Government of the District of Columbia
Office of the Chief Financial Officer

STATISTICAL SECTION

Statistical Section
(Unaudited)

This section contains statistical tables that reflect financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non accounting data.

The Statistical Section is divided into 5 sections as follows:

Section **Page**

1. Financial Trends

These schedules contain trend information to better understand how the District's financial performance and well-being have changed over time.

Net Assets By Component **Exhibit S-1A**
Last Seven Fiscal Years
(accrual basis of accounting, dollars in thousands)

NET ASSETS	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	$ 656,901	$ 518,223	$ 774,533	$ 1,069,731	$ 958,597	$ 1,197,275	$ 1,794,279
Restricted	834,006	870,284	807,839	930,021	987,650	1,269,708	1,156,213
Unrestricted	(625,908)	(593,786)	(370,474)	(249,088)	167,779	92,345	(404,959)
Total governmental activities net assets	864,999	794,721	1,211,898	1,750,664	2,114,026	2,559,328	2,545,533
Business-type activities							
Invested in capital assets, net of related debt	1,495	1,354	17,927	16,183	17,505	17,211	16,747
Restricted	271,361	262,148	288,224	322,893	347,938	375,148	374,282
Unrestricted	1,990	37,442	34,829	34,968	29,000	25,980	24,773
Total business-type activities net assets	274,846	300,944	340,980	374,044	394,443	418,339	415,802
Primary government							
Invested in capital assets, net of related debt	658,396	519,577	792,460	1,085,914	976,102	1,214,486	1,811,026
Restricted	1,105,367	1,132,432	1,096,063	1,252,914	1,335,588	1,644,856	1,530,495
Unrestricted	(623,918)	(556,344)	(335,645)	(214,120)	196,779	118,325	(380,186)
Total primary government net assets	$ 1,139,845	$ 1,095,665	$ 1,552,878	$ 2,124,708	$ 2,508,469	$ 2,977,667	$ 2,961,335

Note: As a result of GASB 34 implementation in FY2002, only seven fiscal years are presented

Source: Information was extracted from Exhibit 1-a, Statement of Net Assets, Page 46.

Changes in Net Assets **Exhibit S-1B**
Last Seven Fiscal Years
(accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Expenses							
Governmental direction and support	$ 471,609	$ 525,072	$ 554,614	$ 641,964	$ 574,097	$ 787,392	$ 834,694
Economic development and regulation	323,804	252,716	253,311	283,186	391,203	509,874	499,644
Public safety and justice	920,599	936,797	1,007,755	1,036,120	1,124,896	1,264,715	1,384,517
Public education system	1,153,719	1,168,545	1,301,807	1,374,538	1,486,112	1,589,652	1,787,635
Human support services	2,267,597	2,572,881	2,537,195	2,663,556	2,967,372	2,992,805	3,285,325
Public works	279,506	312,704	313,580	307,247	351,917	481,702	586,649
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905
Interest on long-term debt	175,241	178,301	189,697	201,882	269,725	281,918	293,339
Total governmental activities expenses	5,776,958	6,219,742	6,320,561	6,676,276	7,352,937	8,106,542	8,886,708
Program revenues							
Charges for services, fees, fines & forfeitures:							
Economic development and regulation	60,636	75,540	83,866	92,198	94,487	102,230	111,105
Public works	129,441	129,251	134,875	132,533	146,628	151,957	206,771
Others	95,967	118,370	81,369	102,431	84,298	80,790	61,273
Operating grants & contributions	1,890,544	1,833,060	2,060,973	2,098,723	2,155,035	2,309,495	2,178,275
Capital grants & contributions	161,450	176,449	151,334	112,704	119,715	130,557	175,841
Total governmental activities program revenues	2,338,038	2,332,670	2,512,417	2,538,589	2,600,163	2,775,029	2,733,265
Net expenses	(3,438,920)	(3,887,072)	(3,808,144)	(4,137,687)	(4,752,774)	(5,331,513)	(6,153,443)
General revenues							
Taxes:							
Property taxes	809,069	899,665	1,017,653	1,150,672	1,272,998	1,545,325	1,787,365
Sales and use taxes	750,060	779,920	828,391	957,394	1,004,471	1,056,780	1,101,859
Income and franchise taxes	1,160,423	1,167,452	1,299,009	1,472,432	1,591,483	1,736,361	1,755,894
Gross receipts taxes	231,786	261,643	271,897	295,819	278,453	302,768	302,873
Other taxes	283,146	273,191	379,521	377,213	390,542	498,198	413,401
Grants and contributions - unrestricted	-	25,070	24,543	-	-	-	-
Investment earnings	19,283	13,341	16,211	39,811	73,207	124,420	95,847
Miscellaneous	333,943	325,529	314,596	311,662	431,182	456,425	458,469
Special items	(171,094)	-	-	-	-	(8,838)	153,640
Transfers	63,000	37,574	73,500	71,450	73,800	65,376	70,300
Total governmental activities general revenues	3,479,616	3,783,385	4,225,321	4,676,453	5,116,136	5,776,815	6,139,648
Change in net assets — governmental activities	$ 40,696	$ (103,687)	$ 417,177	$ 538,766	$ 363,362	$ 445,302	$ (13,795)
Business activities							
Expenses							
Lottery and games	$ 148,670	$ 166,185	$ 167,938	$ 164,066	$ 193,907	$ 192,336	$ 182,981
Unemployment compensation	191,043	165,045	113,888	92,728	102,749	99,920	150,237
Nursing home services	-	34,687	33,023	35,066	35,434	37,556	40,837
Total business-type activities expenses	339,713	365,917	314,849	291,860	332,090	329,812	374,055
Program revenues							
Charges for services, fees, fines & forfeitures:							
Lottery and games	211,151	237,890	241,133	234,931	266,391	256,824	252,721
Nursing home services	-	34,124	30,907	32,184	29,154	31,849	37,435
Operating grants & contributions	49,308	55,356	26,588	16,707	14,825	18,358	21,191
Capital grants & contributions	-	-	15,464	-	-	-	-
Total business-type activities program revenues	260,459	327,370	314,092	283,822	310,370	307,031	311,347
Net expenses	(79,254)	(38,547)	(757)	(8,038)	(21,720)	(22,781)	(62,708)
General revenues							
Taxes:							
Other taxes	104,945	82,626	97,196	92,985	95,888	90,117	92,733
Investment earnings	18,978	19,332	16,847	18,887	19,321	20,841	21,317
Miscellaneous	-	261	250	680	710	1,095	16,355
Transfers	(63,000)	(37,574)	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)
Total business-type activities general revenues	60,923	64,645	40,793	41,102	42,119	46,677	60,105
Change in net assets --- business-type activities	$ (18,331)	$ 26,098	$ 40,036	$ 33,064	$ 20,399	$ 23,896	$ (2,603)
Total primary government							
Expenses	$ 6,116,671	$ 6,585,659	$ 6,635,410	$ 6,968,136	$ 7,685,027	$ 8,436,354	$ 9,260,763
Program revenues	2,598,497	2,660,040	2,820,257	2,822,411	2,910,533	3,082,060	3,044,612
Net (expenses)/revenues	(3,518,174)	(3,925,619)	(3,815,153)	(4,145,725)	(4,774,494)	(5,354,294)	(6,216,151)
General revenues	3,540,539	3,848,030	4,272,366	4,717,555	5,158,255	5,823,492	6,199,753
Change in net assets --- primary government	$ 22,365	$ (77,589)	$ 457,213	$ 571,830	$ 383,761	$ 469,198	$ (16,398)

Note: As a result of GASB 34 implementation in FY2002, only seven fiscal years are presented.
Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 47.

Fund Balances, Governmental Funds **Exhibit S-1C**
Last Seven Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	$ 545,414	$ 568,243	$ 607,903	$ 1,110,770	$ 1,045,560	$ 1,135,459	$ 957,977
Unreserved	319,914	329,114	607,112	473,913	389,582	358,541	286,745
Total general fund	865,328	897,357	1,215,015	1,584,683	1,435,142	1,494,000	1,244,722
All other governmental funds							
Reserved, reported in:							
Special revenue funds	324,687	249,434	239,291	249,911	321,878	460,556	465,229
Capital project funds	148,760	52,607	43,914	86,530	732,602	835,024	629,805
Unreserved, reported in:							
Capital project funds	(472,305)	(169,287)	(273,432)	(312,161)	-	-	-
Total all other governmental funds	$ 1,142	$ 132,754	$ 9,773	$ 24,280	$ 1,054,480	$ 1,295,580	$ 1,095,034

Note: As a result of GASB Statement No. 34 implementation in FY2002, only seven fiscal years are presented.

Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 48.

Changes in Fund Balances, Governmental Funds **Exhibit S-1D**
Last Seven Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008
REVENUES							
Taxes	$ 3,229,809	$ 3,384,093	$ 3,806,906	$ 4,251,191	$ 4,472,845	$ 5,146,007	$ 5,333,118
Fines and forfeits	88,495	90,238	102,828	111,146	112,919	101,971	99,452
Licenses and permits	52,003	62,189	62,968	82,093	81,222	89,072	94,988
Charges for services	145,546	170,736	134,314	133,923	131,273	143,934	184,709
Investment earnings	19,283	13,341	16,211	39,811	73,206	124,420	95,847
Miscellaneous	332,861	320,460	305,039	311,573	489,067	444,262	457,747
Federal contributions	490,373	380,100	393,928	382,966	362,075	440,962	433,206
Operating grants	1,561,621	1,555,404	1,842,922	1,828,461	1,912,675	1,999,090	1,920,910
Total revenues	5,919,991	5,976,561	6,665,116	7,141,164	7,635,282	8,489,718	8,619,977
EXPENDITURES							
Governmental direction and support	366,981	415,591	483,185	590,344	611,620	651,974	695,175
Economic development and regulation	223,760	224,811	236,220	267,335	348,091	444,508	461,707
Public safety and justice	899,116	907,670	984,062	1,034,456	1,133,800	1,241,684	1,369,907
Public education system	1,143,281	1,155,297	1,284,448	1,340,767	1,439,510	1,541,194	1,716,701
Human support services	2,249,303	2,445,336	2,563,646	2,657,848	2,952,637	2,975,821	3,222,979
Public works	149,302	164,753	164,231	175,300	184,200	329,942	416,982
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905
Debt service:							
Principal	138,575	149,792	152,086	183,845	205,654	232,389	251,998
Interest and other charges	189,006	178,301	189,697	202,387	225,195	258,769	287,354
Fiscal charges	-	15,338	13,721	9,277	31,958	15,095	25,330
Total debt service	327,581	343,431	355,504	395,509	462,807	506,253	564,682
Subtotal expenditures	5,544,207	5,929,615	6,233,898	6,629,342	7,320,280	7,889,860	8,663,038
Capital outlay	905,418	762,145	666,649	615,089	901,204	1,024,541	1,390,415
Total expenditures	6,449,625	6,691,760	6,900,547	7,244,431	8,221,484	8,914,401	10,053,453
Excess (deficiency) of revenues over (under) expenditures	(529,634)	(715,199)	(235,431)	(103,267)	(586,202)	(424,683)	(1,433,476)
OTHER FINANCING SOURCES (USES)							
Debt issuance	338,465	856,703	325,726	386,370	1,342,612	610,580	664,105
Refunding debt issuance	69,715	163,170	-	-	116,475	251,155	675,895
Premium on sale of bonds	-	-	-	14,478	39,944	16,063	36,282
Payment to escrow agent	(69,487)	(234,179)	-	-	(136,137)	(264,334)	(675,385)
Other sources	-	-	9,557	89	-	-	-
Proceeds from capital lease	-	-	503	19	-	-	-
Equipment financing program	51,944	17,094	20,822	15,036	30,167	42,471	36,479
Transfers in	63,000	77,119	109,717	193,439	685,206	694,229	477,829
Transfers out	-	(34,476)	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)
Sale of capital assets	-	-	-	-	-	12,168	726
Total other financing sources	453,637	845,431	430,108	487,442	1,466,861	733,479	808,402
Special items	-	-	-	-	-	(8,838)	175,250
Net change in fund balances	$ (75,997)	$ 130,232	$ 194,677	$ 384,175	$ 880,659	$ 299,958	$ (449,824)
Other capital expenditures	31,262	49,529	23,960	33,706	65,197	24,651	129,294
Total capital expenditures	936,680	811,674	690,609	648,795	771,069	857,739	1,402,291
Debt service as a percentage of noncapital expenditures	5.94%	5.58%	5.50%	5.86%	5.78%	6.10%	6.23%

Note: As a result of GASB Statement No. 34 implementation in FY2002, only seven fiscal years are presented.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 49.

Tax Revenues by Source, Governmental Funds **Exhibit S-1E**
Last Seven Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

Fiscal Year	Property Tax Real	Property Tax Personal	Property Tax Rental	Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
2002	$ 726,014	$ 65,208	$ 13,172	$ 750,060	$ 1,160,423	$ 231,786	$ 283,146	$ 3,229,809
2003	822,845	67,294	11,749	779,920	1,167,452	261,643	273,191	3,384,094
2004	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
2005	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118

Note: As a result of GASB Statement No. 34 implementation in FY2002, only seven fiscal years are presented.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 49.

2. Revenue Capacity

These schedules contain information regarding the District's most significant local revenue sources: property, income, and sales and use taxes.

Assessed Value and Estimated Actual Value of Taxable Property **Exhibit S-2A**
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Estimated Actual Value Commercial Property	Residential Property (1) (2) (3) (4)	Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate	Tax Exempt as a % of Total Value
1999	$ 18,734,933	$ 23,710,565	$ 42,445,498	$ 30,620,782	$ 73,066,280	N/A	41.9%
2000	19,357,631	23,912,435	43,270,066	30,900,682	74,170,748	1.43	41.7%
2001	21,960,148	22,268,968	44,229,116	32,086,134	76,315,250	1.45	42.0%
2002	27,619,604	24,902,543	52,522,147	33,812,037	86,334,184	1.39	39.2%
2003	29,684,430	28,379,237	58,063,667	35,728,289	93,791,956	1.38	38.1%
2004	33,752,889	32,701,220	66,454,109	43,234,068	109,688,177	1.35	39.4%
2005	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
2006	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
2007	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
2008	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%

Note: Assessed value is 100 percent of estimated actual value
Total direct tax rate for year 1999 could not be determined

(1) After deduction of homestead exemption and credits against tax
(2) Does not reflect the 2002 & 2003 Cap Assessment of 25% for Class 01 with Homestead Exemptions
(3) Does not reflect the 2004 & 2005 Cap Assessment of 12% for Class 01 with Homestead Exemptions
(4) Does not reflect the 2006 Cap Assessment of 10% for Class 01 with Homestead Exemptions

Source: Office of Tax and Revenue

Direct Property Tax Rates **Exhibit S-2B**
Last Nine Fiscal Years

Fiscal Year	Direct Property Tax Rate (Per $100 Assessed Valuation) Basic Rate	General Obligation Debt Service	Redevelopment Program	Total Direct
2000	0.73	0.70	-	1.43
2001	0.75	0.70	-	1.45
2002	0.79	0.60	-	1.39
2003	0.78	0.60	-	1.38
2004	0.90	0.45	-	1.35
2005	0.92	0.45	-	1.37
2006	0.94	0.40	-	1.34
2007	0.86	0.45	-	1.31
2008	0.98	0.32	-	1.30

Note:
Information prior to FY 2000 is not available.
The total direct rate is the weighted rate of all taxable real property obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.
Source: Office of Tax and Revenue

Major Tax Rates
Last Ten Fiscal Years

Exhibit S-2C

	Property (per $100 of assessed value)						Sales and Use			Income and Franchise		Gross Receipt	
	Residential		Commercial									Public Utility (6)	
Fiscal Year	Owner occupied	Tenant occupied	Hotels	Improved	Unimproved	Personal	General (1)	Cigarette (2)	Motor Fuel (3)	Individual (4)	Business (5)	Commercial	Residential
1999	0.96	1.54	1.85	2.15	5.00	3.40	0.0575	0.65	0.20	.060-.095	0.09975	0.10	0.10
2000	0.96	1.34	1.85	2.05	2.05	3.40	0.0575	0.65	0.20	.050-.095	0.09975	0.10	0.10
2001	0.96	1.15	1.85	1.95	1.95	3.40	0.0575	0.65	0.20	.050-.093	0.09975	0.10	0.10
2002	0.96	0.96	1.85	1.85	1.85	3.40	0.0575	0.65	0.20	.050-.093	0.09975	0.10	0.10
2003	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2004	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2005	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.090	0.09975	0.11	0.10
2006	0.92	0.92	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.045-.087	0.09975	0.11	0.10
2007	0.88	0.88	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2008	0.85	0.85	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10

Source: Office of Tax and Revenue

(1) Of sales value
(2) Per package of 20
(3) Per gallon
(4) Of taxable Income
(5) Of net income
(6) Of gross charges (gas, lighting, telephone)

Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars in thousands)

Exhibit S-2D

	2008			1999		
Taxpayer	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	$ 574,985	1	0.402%	$ *		
MANUFACTURERS LIFE INSURANCE	489,564	2	0.342%	143,896	5	0.339%
CARR CRHP PROPERTIES LLC	412,717	3	0.289%	161,333	3	0.380%
WASHINGTON SQUARE LIMITED PARTNERSHIP	376,622	4	0.263%	181,074	2	0.427%
13TH & F ASSOCIATES LP	369,523	5	0.258%	145,899	4	0.344%
WARNER INVESTMENTS LP	355,055	6	0.248%	227,624	1	0.536%
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	347,451	7	0.243%	12,795	8	0.030%
1301 K STREET LP	317,236	8	0.222%	95,717	7	0.226%
SECOND ST HOLDING LLC	308,500	9	0.216%	*		
WELLS REIT/INDEPENDENCE SQUARE LLC	307,358	10	0.215%	142,638	6	0.336%

* 1999 exact rank can not be determined
Source: Office of Tax and Revenue

Ten Highest Assessed Values For Tax Exempt Properties
Current Year

(dollars in thousands)

Exhibit S-2E

Property		Value
INTERNATIONAL FINANCE CORPORATION	$	501,620
INTER-AMERICAN DEVELOPMENT BANK		436,073
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT		406,086
GEORGETOWN UNIVERSITY		337,034
INTERNATIONAL MONETARY FUND		259,740
INTERNATIONAL MONETARY FUND		247,275
PROTESTANT EPISCOPAL CATHEDRAL FND DC		247,029
AMERICAN UNIVERSITY		199,656
WASHINGTON HOSPITAL CENTER		194,764
THE FREEDOM FORUM INC		186,679

Source: Office of Tax and Revenue

Note: Duplicate property listings resulted from properties with multiple addresses.

Property Tax Levies and Collections
Last Ten Fiscal Years

(dollars in thousands)

Exhibit S-2F

Fiscal Year Ended Sep 30	Tax Levy	Tax Collections (1) Current	Tax Collections (1) Subsequent Years (2)	Tax Collections (1) Total	Percent of Collections to Levy Current	Percent of Collections to Levy Total
1999	$ 637,647	$ 554,064	$ 29,078	$ 583,142	86.9%	91.5%
2000	613,385	569,190	23,587	592,777	92.8%	96.6%
2001	669,016	576,965	58,359	635,324	86.2%	95.0%
2002	740,387	649,895	57,729	707,624	87.8%	95.6%
2003	847,980	774,989	63,110	838,099	91.4%	98.8%
2004	1,011,891	898,352	47,701	946,053	88.8%	93.5%
2005	1,198,319	1,021,836	46,314	1,068,150	85.3%	89.1%
2006	1,234,062	1,102,954	47,422	1,150,376	89.4%	93.2%
2007	1,525,002	1,361,132	66,500	1,427,632	89.3%	93.6%
2008	1,815,303	1,623,073	67,384	1,690,457	89.4%	93.1%

(1) Approximately 45% of real property tax collections are deposited with fiscal agents, such as commercial banks, for payment of matured bonds and interest.

(2) Subsequent year collections related to collections on prior year levies.

Current year tax levy amounts include new billings for prior year penalties and interest.
Subsequent year collections relate to collections on prior year levies.

Source: Office of Tax and Revenue

Personal Income Tax Rates
Last Ten Fiscal Years

Exhibit S-2G

		Top Income Tax Rate Is Applied to Taxable Income in Excess of			
Year	**Top Rate**	**Single**	**Married Filling Jointly**	**Head of Household**	*** Average Effective Rate**
1999	9.50%	$ 20,000	$ 20,000	$ 20,000	6.47%
2000	9.50%	20,000	20,000	20,000	6.39%
2001	9.30%	30,000	30,000	30,000	6.60%
2002	9.30%	30,000	30,000	30,000	6.55%
2003	9.30%	30,000	30,000	30,000	6.66%
2004	9.30%	30,000	30,000	30,000	6.65%
2005	9.00%	30,000	30,000	30,000	6.68%
2006	8.70%	40,000	40,000	40,000	6.45%
2007	8.50%	40,000	40,000	40,000	6.20%
2008	8.50%	40,000	40,000	40,000	N/A

N/A: Not Available

* Fiscal year personal income tax collections divided by prior-year personal income.

Source: Office of Tax and Revenue

Personal Income Tax Filers and Liability by Income Level
Current Year and Nine Years Ago

Exhibit S-2H

	2008				1999			
Income Level	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**
$100,001 and higher	43,655	13.84%	$ 972,425,113	70.32%	23,237	7.74%	$ 392,083,356	48.47%
$75,001 -- $100,000	21,087	6.68%	98,193,991	7.10%	13,181	4.39%	80,800,003	9.99%
$50,001 -- $75,000	39,332	12.46%	116,042,988	8.39%	28,394	9.45%	115,712,208	14.30%
$25,001 -- $50,000	81,117	25.70%	118,585,646	8.57%	76,695	25.54%	158,453,383	19.59%
$10,001 -- $25,000	64,312	20.38%	32,209,666	2.33%	78,488	26.13%	54,916,866	6.79%
$10,000 and lower	66,093	20.94%	45,511,953	3.29%	80,334	26.75%	7,021,725	0.86%
Total	315,596	100.00%	$ 1,382,969,357	100.00%	300,329	100.00%	$ 808,987,541	100.00%

Source: Office of Tax and Revenue

3. Debt Capacity

These schedules present information showing the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Ratios of General Obligation Bonds Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit S-3A

Fiscal Year	General Obligation Bonds (GO)	Actual Value of Taxable Property	GO Bonds as a Percentage of Actual Value of Taxable Property	GO Debt Per Capita *
1999	$ 3,098,582	$ 42,445,498	7.30%	$ 5,426
2000	3,109,728	43,270,066	7.19%	5,439
2001	2,582,017	44,229,116	5.84%	4,470
2002	2,670,573	52,522,147	5.08%	4,611
2003	3,251,118	58,063,667	5.60%	5,631
2004	3,418,933	66,454,109	5.14%	5,900
2005	3,632,198	86,887,767	4.18%	6,240
2006	3,773,863	98,491,335	3.83%	6,446
2007	4,140,133	124,875,273	3.32%	7,043
2008	4,592,518	142,958,188	3.21%	7,760

* The prior year per capita amounts were updated to reflect the revised census population estimates.

Pledged-Revenue Coverage
Last Seven Fiscal Years
(dollars in thousands)

Exhibit S-3B

	Tax Increment Financing Debts				
	Sales Tax	Real Property	Debt Service		
Fiscal Year	Increment	Tax Increment	Principal	Interest	Coverage
2002	$ 33	$ -	$ -	$ 33	100.00%
2003	1,236	-	1,104	132	100.00%
2004	2,222	112	1,515	4,265	40.38%
2005	6,733	2,537	6,484	4,933	81.19%
2006	11,562	1,652	7,219	5,348	105.15%
2007	14,205	5,095	4,666	5,042	198.81%
2008	23,450	6,654	4,565	5,147	309.97%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit S-3C

	Governmental Activities														**Total**
Fiscal Year	General Obligation Bonds	TIF Bonds	Qualified Zone Academy Bonds	Certificates of Participation	Capital Leases	Ballpark Bonds	HPTF Bonds(3)	PILOT Revenue Bonds	Tobacco Bonds(1)	**Total Debt**	**Personal Income(2)**	**Total Debt as a Percentage of Personal Income**	**Total Debt Per Capita**	**"Tax Supported Debt" Per Capita**
1999	$ 3,098,582	-	-	-	$ 132,189	-	-	-	-	$ 3,230,771	$ 21,114,995	15.3%	$ 5,658	$ 5,658
2000	3,109,728	-	-	-	131,167	-	-	-	-	3,240,895	23,102,223	14.0%	5,669	5,669
2001	2,582,017	$ 6,900	-	-	121,564	-	-	-	$ 521,105	3,231,586	25,525,115	12.7%	5,594	4,692
2002	2,670,573	126,545	$ 3,582	-	157,057	-	-	-	514,280	3,472,037	25,786,286	13.5%	5,995	5,107
2003	3,251,118	125,524	3,327	$ 129,530	90,458	-	-	-	506,550	4,106,507	26,913,785	15.3%	7,112	6,235
2004	3,418,933	124,009	3,071	128,345	84,456	-	-	-	502,740	4,261,554	29,203,213	14.6%	7,354	6,486
2005	3,632,198	117,525	2,815	120,760	76,390	-	-	-	498,740	4,448,428	31,874,543	14.0%	7,643	6,786
2006	3,773,863	109,895	5,221	278,100	67,942	$ 534,800	-	-	742,284	5,512,105	33,895,852	16.3%	9,416	8,148
2007	4,140,133	105,229	4,787	270,780	59,868	528,490	$ 34,105	-	737,069	5,880,461	36,119,426	16.3%	10,003	8,749
2008	4,592,518	100,664	6,713	261,375	52,403	526,415	33,570	$ 155,630	724,484	6,453,772	NA	N/A	10,905	9,681

Note: There are no business type activities with outstanding debt.
Prior year per capita amounts were updated to reflect U.S. Census Bureau population estimates.
Convention Center bonds are neither reported nor included in this table.
(1) Tobacco bonds are not supported by general tax revenues and are not included in the Total "Tax Supported Debt" Per Capita calculation.
(2) The prior year personal income amounts were updated to reflect revised U.S. Bureau of Economic Analysis estimates.
(3) HPTF - Housing Production Trust Fund

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-3D

Debt Service Cost Margin Calculation for Fiscal Year 2008:

General fund revenue			$	6,115,949
Debt service cost limitation (17% of general fund revenue)				1,039,711
Debt expenditure applicable to limit:				
Principal	$	213,645		
Interest		201,465		
Subtotal for current year		415,110		
Highest future year debt service cost	$	456,152		
Total debt service cost subject to the limitation				456,152
Debt service cost margin			$	583,559

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt service cost limitation	$ 608,902	$ 688,754	$ 718,024	$ 622,331	$ 627,516	$ 735,472	$ 823,558	$ 875,852	$ 1,000,684	$ 1,039,711
Highest future year debt service cost	346,992	327,044	270,910	284,114	319,160	339,003	359,735	383,659	406,161	456,152
Debt service cost margin	$ 261,910	$ 361,710	$ 447,114	$ 338,217	$ 308,356	$ 396,469	$ 463,823	$ 492,193	$ 594,523	$ 583,559
Total debt service cost subject to the limit as a percentage of debt service cost limit	57.0 %	47.5 %	37.7 %	45.7 %	50.9 %	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %
Debt limit ratio	12.7 %	9.7 %	6 %	7.8 %	8.6 %	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %

Note: Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues.

4. Demographic and Economic Information

These schedules offer demographic and economic data to help explain the environment within which the District's financial activities take place. This information also facilitates comparisons of financial statement information over time and among governments.

Demographic and Economic Statistics
Last Ten Fiscal Years

Exhibit S-4A

Fiscal Year	Population (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1)	Employment (4)	Unemployment Rate (4)	Claims Accepted (5)	Claims Rejected (5)
1999	571,042	$ 21,114,995	$ 37,030	37.2	620,600	6.9%	22,440	7,475
2000	571,723	23,102,223	40,403	34.7	645,200	5.8%	22,113	6,002
2001	577,678	25,525,115	44,188	34.7	654,400	6.0%	18,189	6,514
2002	579,112	25,786,286	44,521	34.8	661,800	6.6%	26,166	10,706
2003	577,371	26,913,785	46,607	34.9	665,900	7.0%	21,527	7,342
2004	579,521	29,203,213	50,383	34.9	670,500	7.8%	18,554	6,450
2005	582,049	31,874,543	54,763	35.0	677,900	7.5%	17,223	6,074
2006	585,419	33,895,852	57,896	35.0	689,300	5.7%	17,021	6,212
2007	587,868	36,119,426	61,397	34.9	695,900	5.8%	17,111	5,918
2008	591,833	N/A	N/A	N/A	703,700	6.3%	20,425	7,123

N/A: Not Available
(1) Source: U.S. Bureau of the Census (As of July 1 - Updated each December for all of the years after the 2000 census)
(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA uses slightly different population estimates in its calculation of per capita income. Updates are made each year to prior year numbers, which will not match prior year CAFR figures.
(3) In thousands
(4) Source: D.C. Department of Employment Services
(5) Source: D.C. Unemployment Compensation Office

Principal Employers
Current Year and Nine Years Ago **

Exhibit S-4B

	2007 **			1998		
Employer	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Howard University	*	1	*	*	2	*
Georgetown University	*	2	*	*	4	*
The George Washington University	*	3	*	*	1	*
Washington Hospital Center	*	4	*	*	3	*
Children's National Medical Center	*	5	*	*	6	*
Fannie Mae	*	6	*	*	10	*
Georgetown University Hospital	*	7	*	*	11	*
American University	*	8	*	*	15	*
Providence Hospital	*	9	*	*	9	*
Howard University Hospital	*	10	*	*	12	*
Washington Post	*	11	*	*	4	*
George Washington University Hospital	*	15	*	*	7	*
Potomac Electric Power Company	*	45	*	*	8	*
Total	47,054		10.4%	45,778		12.1%

* This data is produced through the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, we are only presenting rank and total employment information for the top ten principal employers.

** 2008 data will not be available until fiscal year 2009

5. Operating Information

These schedules contain service and infrastructure data to better understand how the information in the District's financial reports relates to the services the District provides and the activities it performs.

Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit S-5A

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Operating Indicators									
GOVERNMENTAL DIRECTION AND SUPPORT										
Bond rating by S&P	BBB	BBB	BBB+	BBB+	A-	A	A+	A+	A+	A+
Bond rating by Moody's	Baa3	Baa3	Baa1	Baa1	Baa1	A2	A2	A2	A1	A1
Bond rating by Fitch	BBB	BBB	BBB+	BBB+	A-	A-	A	A	A+	A+
ECONOMIC DEVELOPMENT AND REGULATION										
Taxable retail sales ($ millions)	$ 7,730	$ 8,298	$ 7,367	$ 7,485	$ 7,683	$ 8,343	$ 10,487	$ 10,051	$ 9,971	$ 1,104
Commercial construction units	45	36	38	59	59	115	125	121	173	156
Value	$ 362,692	$ 301,372	$ 889,830	$ 919,252	$ 418,049	$ 1,720,869	$ 1,466,587	$ 1,366,931	$ 1,300,454	$ 1,938,197
Residential construction units	40	42	422	448	499	506	861	815	664	1,237
Value	$ 6,746	$ 8,217	$ 100,366	$ 102,861	$ 68,931	$ 117,803	$ 192,609	$ 186,685	$ 182,298	$ 276,722
Housing Finance Agency										
Number of Single-Family Units Financed	486	527	503	161	5	0	0	67	273	218
Amount of Single-Family Financing Provided ($ 000s)	$ 56,200	$ 67,922	$ 61,300	$ 19,600	$ 612	$ 0	$ 0	$ 16,820	$ 59,070	$ 43,795
Number of Multi-Family Units Financed	1,509	1,115	1,555	1,893	1,237	525	7,623	1,165	1,198	917
Amount of Multi-Family Financing Provided ($ 000s)	$ 70,870	$ 45,647	$ 98,534	$ 101,205	$ 76,358	$ 36,051	$ 133,510	$ 71,543	$ 118,978	$ 91,014
Total Number of Housing Units Financed	1,995	1,642	2,058	2,054	1,242	525	7,623	1,232	1,471	1,135
Total Amount of Housing Financing Provided ($ 000s)	$ 127,070	$ 113,569	$ 159,834	$ 120,805	$ 76,970	$ 36,051	$ 133,510	$ 88,363	$ 178,048	$ 134,809
PUBLIC SAFETY AND JUSTICE										
Police										
Crime Index Offenses	42,671	39,651	40,305	40,213	39,797	36,246	32,678	32,311	33,043	35,351
Number of Police Officers	3,484	3,599	3,601	3,666	3,711	3,800	3,800	3,800	3,907	4,050
Fire & EMS										
Number of Operational Personnel **	1,507	1,525	1,613	1,648	1,765	1,768	1,831	1,800	1,818	1,958
Total Number of Incidents	144,059	146,142	145,121	138,277	142,154	140,585	145,812	149,395	153,788	158,919
Total Number of Fire/Rescue Incidents	43,611	43,596	41,243	30,672	30,559	30,029	30,989	32,015	32,363	32,396
Number of Medical Incidents	100,448	102,546	103,878	107,605	11,595	110,556	114,823	117,380	121,415	126,523
Total number of Transports	75,700	77,040	71,267	75,785	79,245	77,289	73,314	75,186	76,841	81,981
Inspections	18,595	22,983	23,923	20,303	13,055	26,703	29,072	28,636	19,282	13,175
PUBLIC LIBRARY										
Number of Volumes	2,562,452	2,756,244	2,715,332	2,721,119	2,609,062	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099

**New for FY 2008 - The number of Fire Fighters and the number of Emergency Medical Personnel have been combined into a single measure, "Number of Operational Personnel" to reflect the agency's evolution into a unified all-hazards department.

Operating Indicators by Function/Program
Last Ten Fiscal Years
(Continued)

Exhibit S-5A

Function/Program	Operating Indicators 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
PUBLIC EDUCATION SYSTEM										
D.C. Public School System										
Number of School Teachers	5,267	5,030	4,850	4,938	4,365	5,206	4,938	4,614	4,509	4,328
Number of School Students	71,899	70,762	68,925	67,522	65,093	62,306	62,306	56,943	52,945	46,208
Number of High School Graduates	2,675	2,695	2,808	2,894	2,723	2,740	2,680	2,450	2,489	2,555
University of the District of Columbia										
Number of Teachers	233	223	N/A	260	260	208	219	215	242	247
Number of Students	5,181	5,358	5,456	5,468	5,241	5,424	5,364	5,772	5,612	5,595
Number of Graduates	576	581	511	466	483	508	503	573	475	218
PUBLIC WORKS/PUBLIC TRANSPORTATION										
Street Resurfaced (includes reconstruction); regular cover; pavement restoration (miles)	31.9	39.4	78.8	103.1	27.8	36.5	90.0	65.2	52.3	32.1
Potholes Repaired	N/A	5,354	5,802	7,005	7,679	9,177	5,272	3,649	6,262	2,800
Refuse collected (tons per day)	505	526	466	491	511	506	485	425	406	404
Recyclables collected (tons per day)	80	79	82	78	83	84	85	86	95	98
Tons of Bulk Trash Removed	N/A	N/A	N/A	4,898	4,994	5,362	4,956	4,610	4,831	4,025
Tons of Leaves Removed	N/A	N/A	N/A	8,983	8,014	6,651	9,569	9,588	7,834	10,072
Tons of Snow Removed	2,313,133	3,070,883	1,475,619	638,106	8,056,083	2,472,659	880,000	855,712	661,050	674,225
* In FY 1998 recycling was suspended.										
Department of Motor Vehicles										
Number of motor vehicle registrations (1/1 - 12/31)	237,832	288,866	N/A	231,848	235,907	243,874	250,602	260,662	271,243	269,549
Number of operator licenses issued (1/1 - 12/31)	120,755	148,216	N/A	70,491	78,022	96,760	80,765	90,456	117,902	112,072
Number of operator licenses outstanding (1/1 - 12/31)	N/A	N/A	N/A	N/A	241,304	237,526	314,650	357,569	396,193	342,816
D.C. WATER AND SEWER AUTHORITY										
Number of Customer locations	130,000	127,882	124,749	130,000	122,502	122,802	123,062	123,465	124,109	124,582
Average daily water consumption (MGD)	139	134	132	135	86	87	86	87	87	84
Daily maximum sewer capacity (MGD)	740	740	740	1,076	370	370	370	370	370	370
Peak 4 Hour Flow, through complete process (MGD)	740	740	740	740	740	740	740	740	740	740
Excess Storm Flow, primary treatment only (MGD)	336	336	336	336	336	336	336	336	336	336
Peak Flow (MGD)	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076
CONVENTION CENTER										
Conferences held	139	116	165	162	163	201	185	106	151	183
Attendees	840,590	935,763	985,196	915,088	891,008	1,023,072	1,153,250	935,485	1,028,953	1,091,406

N/A: Not Available

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Exhibit S-5B

Function/Program	Fiscal Years 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Police Stations Including Satellites	11	13	13	14	14	16	16	16	16	17
Number of Patrol Cars	N/A	N/A	N/A	N/A	N/A	1,207	1,199	1,234	1,222	1,242
Fire										
Number of Fire and EMS stations	33	34	34	34	34	34	34	33	34	34
Number of Front-line emergency vehicles	62	70	78	78	91	92	92	107	130	111
EMS										
Number of Ambulances	57	53	53	53	65	62	62	91	78	79
D.C. Public School System										
Schools	149	146	146	146	147	147	165	144	144	144
Number of school buses	N/A	N/A	N/A	N/A	N/A	650	669	712	727	727
Public Library										
Number of Main and Branch Buildings	22	22	22	22	22	22	22	22	22	22
Number of Community and Kiosk Facilities	5	5	5	5	5	5	5	5	5	5
Parks and Recreation										
Acreage	800	800	800	800	800	800	800	832	836	836
Number of Recreation & Community Centers	77	77	77	78	75	75	72	70	73	75
Number of Day Camps	3	3	3	78	57	70	51	86	86	71
Number of Outdoor Swimming Pools	35	35	35	22	32	27	26	24	26	24
Number of Indoor Swimming Pools	6	7	7	7	6	6	8	6	8	7
Public Works/Public Transportation										
Number of Refuse collection trucks	52	52	52	52	52	52	71	71	77	77
Primary Street Miles	126	126	126	126	126	126	126	126	126	126
Secondary Street Miles	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007
Number of Street Lights	66,507	76,565	64,349	66,089	66,570	66,562	66,650	66,630	68,000	68,000
Number of Signalized Intersections	1,510	1,519	1,519	1,529	1,533	1,534	1,538	1,563	1,570	1,575
Number of Trees	N/A	N/A	N/A	106,000	110,000	114,000	118,000	120,934	128,540	144,000
D.C. Water & Sewer Authority										
Miles of water mains	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Miles of sewer mains	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

Full-Time Equivalent General Fund District Government Employees by Function/Program *
Last Ten Fiscal Years
(Year ended Sept 30)

Exhibit S-5C

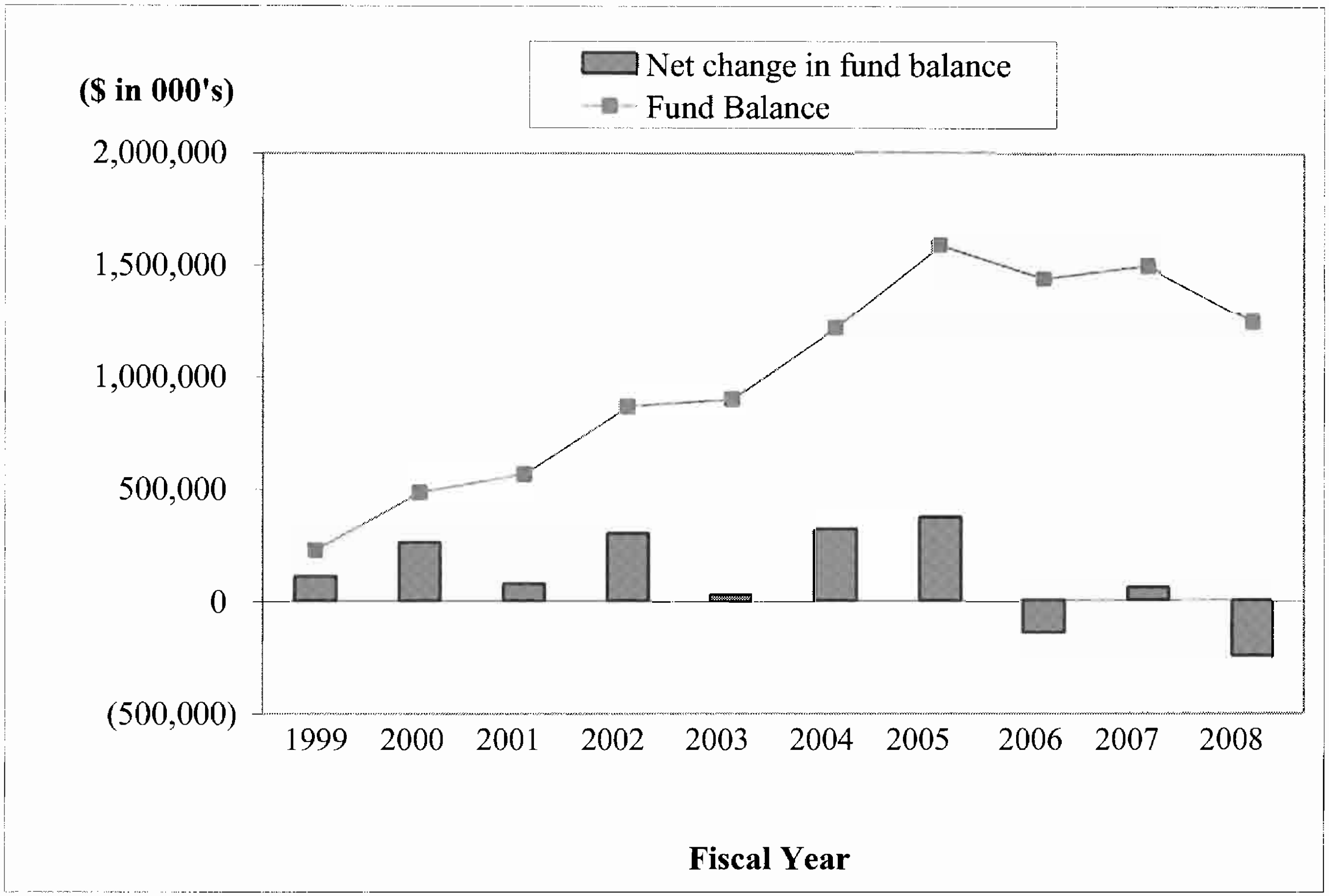
	Full-time Equivalent District Government Employees									
Function/Program	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008 ****
Governmental direction and support	2,187	1,953	2,659	2,647	2,417	2,358	2,419	2,475	2,613	2,725
Economic development and regulation	1,014	1,205	597	556	538	1,000	986	1,104	1,157	1,220
Public safety and justice	8,548	8,244	7,328	7,169	7,379	7,547	7,963	7,919	8,234	8,720
Public education system	8,495	9,662	10,824	11,344	10,818	10,770	9,211	9,714	9,367	8,977
Human support services	3,086	4,666	1,957	4,095	4,280	4,211	4,555	4,611	4,571	4,816
Public works	1,235	1,718	2,071	1,585	1,454	1,624	1,752	1,789	1,889	2,073
Total	**24,565**	**27,448**	**25,436**	**27,396**	**26,886**	**27,510**	**26,886**	**27,612**	**27,831**	**28,531**

* Full-time equivalent general fund District Government employees by function/program is obtained from the District's annual "Proposed Budget and Financial Plan".

** The statistics for FY 2008 were obtained from the Plan's "Executive Summary, Exhibit Q - FY 2008 Proposed Full-Time Equivalent Employment Authority - General Fund"

Exhibit S-5D

General Fund
Fund Balance Trend Chart



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YEAR ENDED SEPTEMBER 30, 2008