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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)

	<u>Useful Life</u>
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-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	<u>(25,722)</u>
Net Adjustment	<u>\$ 1,103,738</u>

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	<u>22,538</u>
Net Adjustment	<u>\$ (583,100)</u>

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	<u>7,507</u>
Net Adjustment	<u>\$ (112,883)</u>

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	<u>\$ 1,520,398</u>

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	<u>\$ 418,405</u>

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

	<u>Total Carrying Value</u>
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	
	<u>Exhibit 1-a</u>	<u>Exhibit 4-a</u>	<u>Total</u>
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		Interest Rate	Total
Primary Government	Principal	Interest	Swaps, Net	
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

<u>Derivative Instrument Type</u>	
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	\$ <u>371,803</u>

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					Total
	General	Federal & Private Resources	General Capital Improvements	Baseball	Non-Major	
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				Fiduciary Funds	Component Units
	Lottery & Games	Unemployment Compensation	Nonmajor	Total		
Bond Escrow Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	960,739
Unpaid Prizes	41,379	-	-	41,379	-	-
University Endowment 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

Fund or Component Unit	Primary Government/ Component Units		Interfund	
	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

<u>School</u>	<u>Impairment Loss</u>	<u>Carrying Value at 9/30/08</u>
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				Unexpended Balance
			Prior Year	Current Year	Transfers from CIP/Disposition	Total	
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 September 30	GALLERY PLACE		
	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 September 30	MANDARIN ORIENTAL HOTEL		
	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 September 30	EMBASSY SUITES HOTEL		
	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 September 30	H & M DEVELOPMENT		
	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 September 30	General Obligation Bonds		Tobacco Bonds		Total
	Principal	Interest	Principal	Interest	
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-1 bonds 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 September 30	BALLPARK BONDS		
	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 Girozentrale (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

St Elizabeth/DMV Building (COP)			
Year Ending September 30	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
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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
Amortization method	Normal
Remaining amortization period	Not Applicable
Asset valuation period	Not Applicable
	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

<u>Account</u>	<u>Amount</u>
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

Year Ending September 30	Primary Government		
	Capital Leases	Operating 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
Incurring 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

September 30	MADAME TUSSAUDS		
	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.