



CAFR

2013

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



VINCENT C. GRAY
MAYOR

NATWAR M. GANDHI
CHIEF FINANCIAL OFFICER
JUNE 2000–JANUARY 2014

JEFF DEWITT
CHIEF FINANCIAL OFFICER
PRESENT

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

Year Ended September 30, 2013





VINCENT C. GRAY
MAYOR

January 30, 2014

Dear Residents of the District of Columbia:

I am pleased to present the District of Columbia's (District's) Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR). We completed Fiscal Year 2013 with a budgetary surplus of \$321 million, resulting in a General Fund balance of \$1.75 billion as of September 30, 2013, and the audit opinion is unqualified for the seventeenth consecutive year. Our fund balance is now at an all-time high and "cash on hand" is also at a record level. These results are compelling evidence that the District's finances are among the strongest of any jurisdiction in the nation and the strongest they have been in our history.

As in previous years, the District was able to continue to invest in neighborhoods and commercial projects, and continues to be an attractive destination for visitors and investors from all over the world. The District's population continues to grow at a record pace, adding more than thirteen thousand residents over the past year, making the District one of the fastest growing cities and states in the nation. We enjoy a "AAA" rating from Standard & Poor's on our Income Tax Secured Revenue Bonds, with ratings of "AA+" and "Aa1" from Fitch Ratings and Moody's Investors Service, respectively. All three rating agencies have "stable" outlooks on the District's income tax bonds. These strong bond ratings allow the District to secure lower interest rates to finance important investments in public capital projects such as schools, recreation facilities and playgrounds, streets and bridges.

The District's increasingly strong financial outlook, coupled with impressive job growth and a falling unemployment rate, is affirmation that our economic development and diversification strategies are working. Despite the challenges that federal budget cuts may bring to the District, the city's economy is vibrant and growing. Our growing prosperity will allow us to ensure financial stability in the years to come while also making important investments in the safety, health, education, and quality of life of all of our residents.

With your continued support, we will continue working to lift up communities in every ward to build a more prosperous, equitable, and sustainable District of Columbia.

Sincerely,


Vincent C. Gray

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



Jeffrey S. DeWitt
Chief Financial Officer

January 30, 2014

The Honorable Vincent C. Gray
Mayor of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2013. As required by District law, the FY 2013 financial statements were examined by independent auditors. Based on the outcome of the audit performed, the independent auditors, KPMG, LLP, issued an unqualified (clean) opinion on the District's FY 2013 financial statements. This indeed is a noteworthy accomplishment because this marks the 17th consecutive year in which the District has received a clean audit opinion on its annual financial statements.

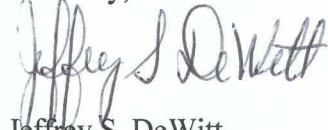
The District faced challenges on several fronts during FY 2013. Like so many other states, cities, counties, and municipalities across the nation, the District continued to confront challenges related to the national economy, including sluggish job growth and relatively flat unemployment. Those challenges were further complicated by the uncertainty surrounding the efforts being made by the federal government to reduce federal deficits and their impact on the District's economy and revenues.

Despite these and other challenges, the District's financial position continued to be strong in FY 2013. Our "rainy day" funds have increased over the last year. We now have \$791 million in reserve and our fund balance has increased to \$1.75 billion. Our bond ratings in FY 2013, were as follows: General Fund's General Obligation Bonds: AA- (Fitch Ratings), Aa2 (Moody's Investors Service), and AA- (Standard & Poor's Rating Service) and Income Tax Secured Revenue Bonds: AA+ (Fitch Ratings), Aa1 (Moody's Investors Service) and AAA (Standard & Poor's Rating Service). These strong ratings, indicative of the city's overall financial strength, allowed the District to access the market and issue \$39.6 million in Deed Tax Revenue Bonds, \$775.8 million in Income Tax Secured Revenue Bonds, and \$42.9 million in Federal Highway Grant Anticipation Revenue Bonds at competitive interest rates. The proceeds of these bonds were used to finance economic development projects, infrastructure enhancements and other capital projects. Residents should be assured that the District government functions well and has sufficient resources to provide necessary programs and services.

Sound financial management practices and fiscal discipline will continue to be the key ingredients for the District's future financial success. Towards that end, the Office of the Chief Financial Officer (OCFO) will continue to develop sound quarterly revenue estimates and structurally balanced budgets that ensure the District stays on the path of financial success. We are committed to utilizing sound business practices that incorporate strong and effective internal controls which allow us to maximize operational efficiency, produce accurate and reliable financial information, and comply with applicable laws and regulations.

Ending the fiscal year financially strong was due to the dedication and hard work of many across the city. I would like to thank all who have worked diligently to manage and account for the city's financial resources during the year. Through their cooperation and collaboration, the District was able to operate within budgetary constraints and timely issue its FY 2013 CAFR with a clean audit opinion. I also want to recognize the hard work and achievements of Dr. Natwar M. Gandhi, who is significantly responsible for our excellent financial position today. We, as one city and one government, truly have much of which to be proud.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeffrey S. DeWitt". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent.

Jeffrey S. DeWitt
Chief Financial Officer

**Government of the District of Columbia
Comprehensive Annual Financial Report
Year Ended September 30, 2013**

**Vincent C. Gray
Mayor**

**Natwar M. Gandhi
Chief Financial Officer
June 2000 – January 2014**

**Jeff DeWitt
Chief Financial Officer
Present**

**John A. Wilson Building
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**DISTRICT OF COLUMBIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2013**

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VINCENT C. GRAY
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JEFF DEWITT
CHIEF FINANCIAL OFFICER
PRESENT

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



Government of the District of Columbia



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January 30, 2014

Mr. Jeff DeWitt
Chief Financial Officer

The Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2013, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management and the Office of the Chief Financial Officer (OCFO). To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for state and local governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain an understanding of the District's financial activities.

The ability to produce a timely and accurate CAFR depends upon the adequacy of the District's internal controls. Internal control is defined as a process, effected by an entity's governing board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) efficiency and effectiveness of operations; (b) reliability of financial reporting; and (c) compliance with applicable laws and regulations. Reasonable assurance is defined as a high, but not absolute, level of assurance about whether the financial statements are free of material misstatement. The District's management is responsible for establishing and maintaining adequate internal controls. The greatest challenge in establishing and maintaining adequate internal controls is ensuring that the control framework developed by management is comprehensive—that is, broad enough to achieve its intended purpose.

Due to certain inherent limitations, such as prohibitive costs, judgment errors, or potential for management override and collusion, internal control can only provide reasonable assurance that management's objectives will be achieved. However, routine, periodic audits help management assess, on an on-going basis, the adequacy of the District's internal controls. In accordance with D.C. Code § 47-119, an independent auditor audited the District's financial statements for the year ended September 30, 2013. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. In addition to issuing an opinion on the District's financial statements, the independent auditor, KPMG LLP, prepared a report, which was issued in conjunction with the CAFR, that discussed the auditor's consideration of the District's internal control over financial reporting and the outcome of the auditor's tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other related requirements. This report is commonly referred to as the Yellow Book Report.

Moreover, an audit of compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is also performed annually and a separate report, often referred to as the Single Audit Report, is issued by the independent auditors. The District's fiscal year 2013 Single Audit Report will be issued at a later date.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and, therefore, does not discuss the District's financial operations and results, which are fully discussed in the MD&A. For that reason, this letter should be read in conjunction with the MD&A in order to gain a better understanding of the District's financial condition.

PROFILE OF THE GOVERNMENT

Overview: Historical Background of the District

President George Washington established Washington, D.C. (herein after referred to as D.C., the District of Columbia, or the District) in 1791 from territory ceded by the State of Maryland and the Commonwealth of Virginia. The United States Congress assumed jurisdiction over the District of Columbia, but citizens residing in the District of Columbia did not have voting representation in Congress.

Significant dates in the history of the District of Columbia are presented in the timeline shown in **Table T1**.

Table T1 – Timeline: Key Dates in the History of the District of Columbia

February 1801	Congress enacted the Organic Act of 1801, thereby dividing the capital district into Washington County (former Maryland area) and Alexandria County (former Virginia area).
1846	Congress passed a law allowing the City of Alexandria and Alexandria County to be returned to the Commonwealth of Virginia.
1871	Congress consolidated Georgetown, Washington City, and Washington County into one territorial government. The President appointed a territorial governor and council and an elected House of Delegates. A non-voting delegate to Congress was also established.
1874	The territorial government of the District of Columbia was abolished and the provision for a non-voting delegate to Congress was eliminated.
1878	The power to elect a territorial governor and council was eliminated. Congress established a three-member Board of Commissioners to govern the District of Columbia.
1961	The 23rd Amendment to the U.S. Constitution was ratified. Citizens of the District of Columbia were granted the right to vote in a presidential election.
1967	President Lyndon B. Johnson appointed Walter E. Washington Mayor of the District of Columbia.
1970	Congress passed the District of Columbia Delegate Act.
1971	Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.
1973	Congress passed the District of Columbia Home Rule Act, which provides for a popularly elected mayor and a 13-member Council.

Although Congress passed the Home Rule Act in 1973, Congress retained and continues to retain the right to review and overturn the legislative acts of the Council if both houses of Congress vote within 30 legislative days to do so. In addition, the budget for the District of Columbia government must be approved by Congress and the President of the United States.

The Home Rule Act prohibits the taxing of federal property, other tax-exempt property, and the income of non-District residents who work in the District.

In 1983, it was determined that the District could legally issue its own debt. On October 15, 1984, the District issued municipal debt for the first time, in the form of Tax Revenue Anticipation Notes (TRANS), which totaled \$150 million.

Although progress has been made on many fronts throughout the city's history, District of Columbia residents still do not have voting representation in Congress. However, in accordance with the District of Columbia Delegate Act of 1970, U.S. Public Law 91-405, the citizens of the District of Columbia are represented in the House of Representatives by a Delegate, who is elected by the voters of the District of Columbia. Consistent with the Act:

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

The current D.C. Delegate, Congresswoman Eleanor Holmes Norton, has no voting power. However, despite her voting limitations, she has been able to accomplish much on behalf of the District of Columbia. Some of her recent accomplishments include the following:

- Urged Congress to prohibit the Federal Emergency Management agency (FEMA) from implementing proposed reductions in terrorist and disaster protection for the nation's capital. The Senate Appropriations Committee barred the changes which FEMA had proposed, indicating that FEMA's realignment plan: (a) was developed without stakeholder input as specifically required by the Homeland Security Act of 2002; (b) reduces financial resources for the Office of National Capital Region Coordination by over 30% in overall funding and 53% in personnel when compared to funding provided in fiscal year 2013; and (c) relocates responsibilities to the

FEMA Region 3 Office in Philadelphia, Pennsylvania, hundreds of miles away from the D.C. metropolitan area which FEMA is required to protect.

- Worked collaboratively with Congress which led to the passage of a bill by the Senate Appropriations Committee that gives the District budget autonomy. The bill, known as the Fiscal Year 2014 Financial Services and General Government Appropriations bill, reinforces the legislative provision granting D.C. budget autonomy as included in the fiscal year 2014 budget, at the Congresswoman's request. In July 2013, the Oversight and Government reform Committee approved a bill that includes two major elements of budget autonomy: (a) District government would no longer be subject to shutdowns and (b) the District could set its own fiscal year.
- Introduced a bill to give the District home-rule authority over the D.C. National Guard. The bill, titled the District of Columbia National Guard Home Rule Act, gives the Mayor of the District of Columbia authority, as governors have in their states, to deploy the D.C. National Guard during local emergencies, including natural disasters and civil disturbances unrelated to national or homeland security, after consultation with the Commanding General of the D.C. National Guard. The President of the United States would retain final authority over federal matters.

Congresswoman Norton earlier succeeded in getting authority for the Commanding General of the D.C. National Guard, rather than only the President, to deploy the Guard in order to avoid potential delays resulting from federal bureaucracy associated with "calling up" the D.C. National Guard.

- In March 2013, introduced the District of Columbia Medicaid Reimbursement Act, to relieve the District of a portion of Medicaid costs it has uniquely borne for years. Medicaid is financed mostly by the federal government and the states. However, the District, a city that has no state to support it, must alone absorb the state portion of Medicaid. The proposed bill would raise the federal contribution to the District's Medicaid program to 75%, up from the 70% required by the National Capital Revitalization and Self-Government Act of 1997.

For more information on the initiatives, activities and accomplishments of the D.C. Delegate, visit

Congresswoman Eleanor Holmes Norton's website at www.norton.house.gov.

Financial Reporting Entity

For financial reporting purposes, the District's reporting entity consists of: (1) the primary government; (2) five discretely presented component units: Health Benefit Exchange Authority, Housing Finance Agency, Not-For-Profit Hospital Corporation (d/b/a United Medical Center), University of the District of Columbia, and Washington Convention and Sports Authority and; (3) one blended component unit, the Tobacco Settlement Financing Corporation. The District of Columbia Housing Authority and the District of Columbia Water and Sewer Authority are considered related organizations because the District is not financially accountable for their operations. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or the component units have been included in the reporting entity. Further information on the reporting entity can be found in Note 1B, page 56 of the Notes to the Basic Financial Statements.

The District and its component units provide a wide range of services to residents, including elementary, secondary, and postsecondary education; health and human services; economic development and regulation; public safety; transportation; and other general government services.

Budgetary Information

During the first quarter of each fiscal year, agencies begin the budget formulation process for the upcoming fiscal year. On or about March 20 of each year, consistent with Section 442 of the Home Rule Act, the Mayor submits a balanced operating budget for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the budget (including a multi-year capital improvement plan, by project, for all District agencies) through passage of a Budget Request Act. The Mayor may not submit and the Council may not adopt any budget which presents expenditures and other financing uses that exceed revenues and other financing sources. After the Mayor approves the adopted budget, it is forwarded to the President and then to Congress for approval. Congress enacts the District's budget through passage of an appropriations bill, which is signed into law by the President of the United States.

The legally adopted budget is the annual Appropriations Act passed by Congress and signed by the President. The Appropriations Act authorizes expenditures at the agency level and by appropriation title (function), such as Public Safety and Justice; Human Support Services; or Public

Education. To revise planned expenditures for any function, Congress must enact the appropriate legislation. However, the District may reallocate budgeted amounts using the District's reprogramming process in accordance with applicable legal requirements.

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the annual Appropriations Act. Both automation and sound governance provide strong budgetary controls. The annual budget is assigned specific accounting attributes and is uploaded into the District's accounting system of record, thereby establishing the budget authority for each entity within the District government. The budget authority established in the system of record is then reconciled to the levels of funding authorized by the Appropriations Act. In addition, on an annual basis, independent auditors review the budgetary comparison statement to ensure compliance with federally approved amounts and to determine whether budget adjustments are properly documented and approved.

The "District Anti-Deficiency Act of 2002" (the Act), which became effective on April 4, 2003, introduced additional budgetary control requirements. This Act requires District managers to develop spending projections, by source of funds, on a monthly basis, which show year-to-date spending, approved budget, year-end projected spending, explanations of variances greater than 5% or \$1 million, and planned corrective actions for instances of overspending. Spending projections are required to be submitted to the agency head and the Agency Fiscal Officer. Summarized spending projections must be submitted to the District's Chief Financial Officer (CFO) no later than 30 days after the end of each month.

Other reporting requirements have also been established to enhance the District's budgetary control policies and practices. Consistent with D.C. Code § 47-355.04, agency heads and Agency Fiscal Officers are to submit jointly a monthly spending plan for the fiscal year to the District's CFO by October 1 of each fiscal year. In addition, pursuant to D.C. Code § 47-355.05, the District's CFO is to submit quarterly reports to the Council and the Mayor that present each agency's actual expenditures, encumbrances, and commitments, each by source of funds, compared to each agency's approved spending plan. This report is required to be accompanied by the District CFO's observations regarding spending patterns and steps being taken to ensure that spending remains within the approved budget. These reports are used by the District's Anti-Deficiency Review Board to assess cases of overspending.

In addition, the District uses encumbrance accounting as a means of strengthening budgetary controls and financial reporting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system of record in order to reserve the portion of the related

appropriation that will be needed for the expenditure. Therefore, the recording of encumbrances is a valuable tool used by the District to ensure that expenditures are within budgeted amounts. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Fund, Special Revenue Fund, or the Federal and Private Resources Fund.

Fund Balance Reserves:

Congressionally Mandated

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures less debt service cost. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%. The contingency cash reserve may be used to provide for nonrecurring or unforeseen needs (e.g., severe weather or other natural disasters, and unexpected obligations created by federal law) that arise during the fiscal year or to cover revenue shortfalls experienced by the District for three consecutive months. The emergency cash reserve may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature (e.g., natural disaster or calamity) and may be used in the event that the Mayor declares a State of Emergency in the District.

Mandated by the District

Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency reserve was established. However, this reserve may not be used for cash flow management purposes. At full funding, the fiscal stabilization reserve must equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

Cash Flow Reserve

The cash flow reserve may be used by the District's CFO as needed to manage the District's cash flow. When a portion of the reserve is used to meet cash flow needs, this reserve must be replenished in the same fiscal year the amounts were used. At full funding, the cash flow reserve must equal 8.33% of the General Fund operating budget for each fiscal year.

District Accounting and Financial System

Accounting System

The District's accounting system is organized and maintained on a fund basis. A fund is a separate, distinct accounting entity that has its own assets, liabilities, equity,

revenues, and expenditures/expenses. The District uses GAAP when determining the types of funds to be established and is guided by the “minimum number of funds principle” and sound financial management practices when determining the number of funds within each fund type.

Measurement Focus and Basis of Accounting

The District’s financial statements are prepared in accordance with GAAP. Accordingly, the measurement focus and basis of accounting applied in the preparation of government-wide financial statements and fund financial statements are as follows:

- The government-wide financial statements focus on all of the District’s economic resources and use the full accrual basis of accounting.
- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.
- Specialized accounting and reporting principles and practices apply to governmental funds. Proprietary funds, component units and pension trust funds are accounted for in the same manner as business enterprises.
- The budgetary basis of accounting is used to prepare the budgetary comparison statement presented in Exhibit 2-d found on page 47. This basis of accounting differs from the GAAP basis as described below:
 - **Basis Differences** - The District uses the purchase method for budgetary purposes and the consumption method for GAAP basis accounting for inventories. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Under the consumption method, an expenditure is recognized only when the inventory items are used rather than purchased.
 - **Entity Differences** - This basis relates to inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis for reporting purposes. Such activities primarily include the following as reported in Exhibit 2-d found on page 47:
 1. Fund balance released from restrictions
 2. Proceeds from debt restructuring
 3. Accounts receivable allowance
- 4. Operating surplus from enterprise funds
 - **Perspective Differences** – Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is used to construct the basic financial statements. The District does not have any significant budgetary perspective differences that limit its ability to present budgetary comparisons of its general fund. The District’s *Budgetary Comparison Statement* is presented as part of the basic financial statements in Exhibit 2-d on page 47.
 - **Timing Differences** – Timing differences can exist when there are significant variances between budgetary practices and GAAP, which may include continuing appropriations, project appropriations, automatic re-appropriations, and biennial budgeting. The District has no significant timing differences between its budgetary practices and its GAAP presentation of its financial statements.

Transparency in Financial Reporting

The OCFO continues to promote openness in government and transparency in financial reporting. Over the last decade, the District has opened its books to the public by posting online the annual operating budget and capital plan, the comprehensive annual financial report, and the popular annual financial report. In addition, the OCFO’s website provides information that allows taxpayers to review and assess the District’s financial status, programs, activities and services, and determine how their tax dollars are being used. This information includes: operating financial status reports, capital financial status reports, quarterly revenue estimates, monthly cash reports; monthly/annual economic indicators and other reports; Featured News (including press releases and Council Hearing written testimonies); and links to other useful information, such as the Taxpayer Service Center, the D.C. College Savings Plan, Unclaimed Property Division, and Invest in DC Bonds.

In addition, CFOInfo, a District government OCFO interactive dashboard, presents quarterly data on the current year budget and actual expenditures. Users can view data in graphical or tabular format and may create comparisons and cross tabs for more detailed analyses. CFOInfo may be used to access data regarding operating budgets, special purpose revenue, federal grants, financial status year-to-date and capital budgets.

ECONOMIC CONDITION AND OUTLOOK

Over the past year, growth in employment within the District has slowed significantly as gains in the private sector have been barely able to offset public sector declines. However, population growth continues to be a major factor in increasing the District's income and sales tax bases, and is also a driving force behind rising home values. In the last four years (2009 to 2012), the District's population has grown by 40,000 (approximately 6.8%), an increase that has averaged more than 1,000 residents per month over this period of time. Developments in the national economy, such as continued economic growth, strong stock market gains, and low interest rates, contributed to the District's growing tax base in FY 2013.

Nonetheless, uncertainty continues to cloud the District's future economic picture. The main sources of uncertainty for the District are the efforts being made by the federal government to reduce federal deficits.

Approximately 25% of employed District residents work for the federal government. Federal civilian employment accounts for 28% of all wage and salary jobs located in the District and 34% of the wages and salaries that are generated in the city. Furthermore, federal contracting accounts for additional jobs and income in the area, which also contribute to the District's tax base. With such a dominant federal presence, significant changes in federal spending can have a major impact on the District's economy and revenues.

Pursuant to a law which became effective on March 1, 2013, all federal discretionary spending is subject to reduction. This measure, known as sequestration, requires across-the-board cuts to all defense and non-defense discretionary spending which began in FY 2013 and will continue throughout the remainder of the decade. Sequestration, along with other federal fiscal policy decisions regarding debt ceiling extensions, budget resolutions, and annual appropriations, can adversely affect the District's economy.

Late last year, Congress approved a budget that increased some federal spending. This budget tempers some of the uncertainty around federal fiscal policy through 2015. However, the budget agreement leaves in place much of the sequestration limits on federal spending through FY 2023. The budget agreement also leaves unresolved the long term federal budget deficit that will grow rapidly as the baby boomers retire and health care costs grow.

Federal government expansion cushioned the District and metropolitan area economies from the worst effects of the national recession over the past five years. The federal government will no doubt continue to anchor the District's economy, but given the ongoing federal fiscal policy

uncertainties, the federal government can no longer be counted on to be a source of significant growth.

Highlights: The District's Economy

Highlights of recent trends in the District's economy include slowing job growth, increases in population and a strong housing market as presented below:

- Job growth has been slowing. In the three months ending July 2013, there were just 100 more wage and salary jobs located in the District than a year earlier. Of particular note, there were 5,867 fewer federal government jobs in July 2013 than there were a year earlier. Private sector jobs increased by 6,700 (1.4%) in July 2013 as compared to July 2012, however, this barely offset the public sector decline. Seasonally adjusted employment in July 2013 was 3,600 (0.5%) less than in January 2013.
- District resident employment in the three months ending July 2013 was 9,970 (3.0%) more than a year earlier. The unemployment rate rose slightly to 8.6% (seasonally adjusted rate), but was down from 9.0% a year earlier. Seasonally adjusted resident employment decreased 2,700 (0.8%) from January 2013 to July 2013.
- Home sales and prices continued to show gains in FY 2013. Single family sales for the three-month period ending July 2013 were up 13.0% from a year ago, and there was a 14.5% increase in the average selling price. Condominium sales were up 23.9% and the average price was 3.1% higher. The value of all home sale contracts for the three-month period ending July 2013 was 28.8% more than a year ago.
- Commercial office effective rents (the landlords' actual rental amounts after deducting concession value from tenants' base rental rates) have not been increasing; however, as of September 30, 2013, leased space was up 1.0% from a year ago, and the vacancy rate fell from 8.7% to 8.5% between April 2013 and September 2013.
- Hotel room-days sold for the three months ending June 2013 were 0.5% above the prior year, and associated revenues were up by 2.8%.

Key Factors in the District's Economy

Population

The U.S. Census Bureau estimated that there were 646,449 residents in the District of Columbia, as of July 1, 2013. This represents an increase of 13,022, or 2.1%, from the revised July 1, 2012 estimate of 633,427. Annual census

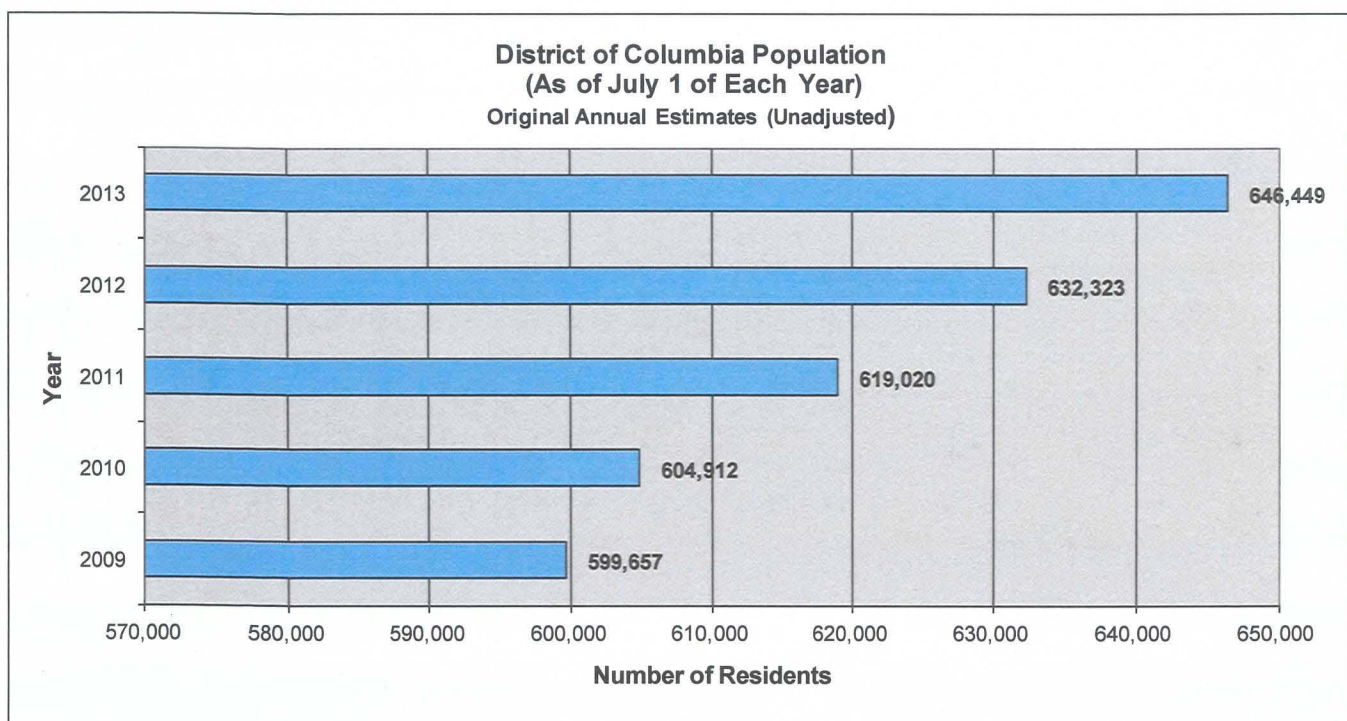
estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move into the District each year. **Chart T1** presents the District's population trends for calendar years 2009 through 2013.

Income Trends

Income has grown considerably in the District in recent years. From the third quarter of 2009 to the third quarter of 2013, personal income grew approximately 21.3% in the District as compared to 17.7% nationally.

The distribution of income in the District differs from that of the nation as a whole, with larger proportions at the higher and lower ends and a smaller proportion in the middle. Median household income data is not yet available for 2013; however, for the two-year period 2011 and 2012, the District's median household income of \$60,826 was 19.1% above the U.S. average. The Census Bureau estimates that 18.2% of the District's population was below the poverty line in 2012 as compared to 15.9% for all of the U.S.

Chart T1 – Population Trends (2009 – 2013)



Source: U.S. Census Bureau

Employment Trends

Total wage and salary employment in the Washington metropolitan area increased to approximately 3,070,500 in fiscal year 2013 from the revised 3,030,800 for fiscal year 2012, representing a 1.3% increase. These numbers exclude the self-employed, domestic workers, military and foreign government personnel, which represent a significant portion of the total workforce of the region. Some of the references to the 2012 employment numbers may differ from those presented in the fiscal year 2012 CAFR because of updates and revisions. **Table T2** presents 2013 labor market data for the District and the metropolitan region.

Total wage and salary employment within the District decreased slightly to 23.9% of the metropolitan area's total

wage and salary employment. The seasonally adjusted September 2013 unemployment rate in the District was 8.6%, compared to the September 2012 seasonally adjusted rate of 8.8%.

Total employment within the District increased to 733,300 as of September 2013 from the revised 730,000 as of September 2012. As the nation's capital, Washington, D.C. is the seat of the federal government and headquarters for most federal departments and agencies. The total September 2013 federal workforce in the Washington metropolitan area was 373,400; with approximately 204,300 federal employees located in Washington, D.C. and 169,100 additional federal employees who worked elsewhere in the Washington metropolitan area.

Minimum Wage Rate

District law requires that the minimum wage rate for District employees be at least \$1.00 per hour more than the Federal minimum wage. Beginning on July 24, 2009, the Federal minimum wage rate was increased to \$7.25 per hour and has not been revised since that time. Therefore, effective July 24, 2009, the District's minimum wage rate increased to \$8.25 per hour and has remained unchanged through calendar year 2013.

In December 2013, the Council approved a measure to raise the District's minimum wage limit to \$11.50 per hour over the next three years as follows: \$9.50 per hour in 2014; \$10.50 per hour in 2015; and \$11.50 per hour in 2016. In January 2014, the Mayor signed the bill into law which gives District workers one of the nation's highest minimum wages.

Table T2– 2013 Labor Market Data for the District and Surrounding Metropolitan Area

Labor Market (000s): FY 2013

Item	District of Columbia			Metropolitan Area		
	Level	1 yr. change (number)	1 yr. change (%)	Level	1 yr. change (number)	1 yr. change (%)
Employed residents	337.8	14.4	4.4	3,026.5	33.6	1.1
Labor force	369.4	13.0	3.6	3,200.2	27.7	0.9
Total wage and salary employment	733.3	3.3	0.4	3,070.5	39.7	1.3
Federal government	204.3	-4.3	-2.1	373.4	-4.6	-1.2
Local government	34.1	-0.6	-1.7	319.3	10.2	3.3
Leisure & hospitality	66.6	1.6	2.4	288.6	11.2	4.0
Trade	23.2	-0.5	-2.1	327.3	2.1	0.7
Education and health	117.4	3.7	3.3	384.4	9.4	2.5
Prof., bus., and other services	223.8	3.6	1.6	894.7	7.6	0.9
Other private	63.8	-0.2	-0.3	482.8	3.8	0.8
Unemployed	31.7	-1.4	-4.1	173.7	-5.9	-3.3
New Unemployment Claims	1.9	0.13	7.3			

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

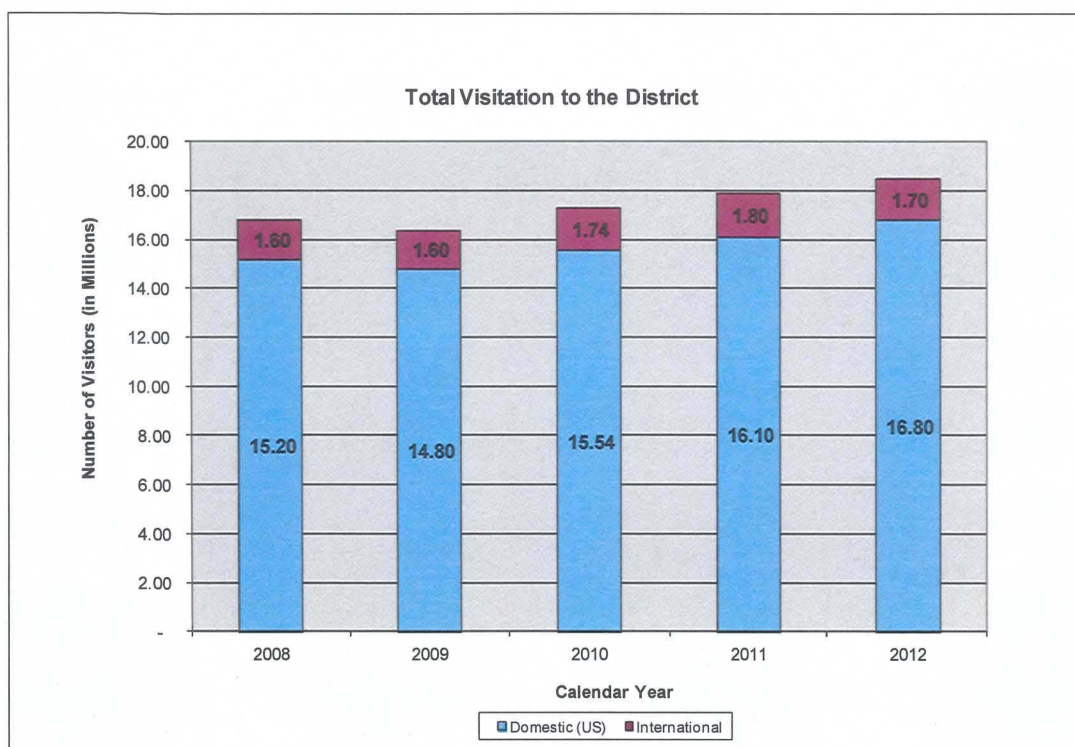
All data are monthly averages for the fiscal year and are preliminary, not seasonally adjusted.

Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the District's more than 400 museums and other historical landmarks each year. Popular attractions include sites along the National Mall, numerous monuments to U.S. presidents, war memorials, and other museums. The presence of a large number of foreign embassies, recognized diplomatic missions, and other international organizations in the District helps to boost tourism. In calendar year 2012, approximately 16.8 million domestic visitors and 1.7 million international visitors traveled to the District. During calendar year 2012, the District was the eighth most visited destination in the U.S. for international travelers. **Chart T2** presents the trends in tourism for calendar years 2008 through 2012. Tourism data for calendar year 2013 is not yet available.

Visitor spending, which totaled approximately \$6.21 billion in 2012, generated additional business activity in related industries (e.g., hotel, restaurant, and retail) and continues to help sustain the local and regional economies. The distribution of visitor spending in 2012 (by category) was as follows: \$2.11 billion for Lodging; \$1.71 billion for Food and Beverage; \$1.02 billion for Entertainment; \$753 million for Shopping/Retail; and \$613 million for Transportation. Total visitor spending increased by \$18 million, or 3.0%, over the prior year. Hotel occupancy was approximately 75.1% at September 30, 2013. Travel and tourism supported more than 75,300 jobs in the District, generating approximately \$3.16 billion in wages.

Chart T2 – Trends in District Tourism (2008 – 2012)



Source: Data compiled by Destination DC (formerly the Washington Convention and Tourism Corporation)

Construction - Commercial Real Estate

Construction of commercial real estate slowed during calendar year 2013. At the end of 2013, commercial space under construction was down 11.9% over the prior year. Nonetheless, during the year, leased space increased by 1.61 million square feet and the vacancy rate (including sublet) within the District decreased from 9.3% at the end of 2012 to 9.2% at the end of 2013.

Construction – Housing Units

For the 12-month period ending August 31, 2013, 3,768 housing unit building permits were issued. This represents a 3.7% decrease over the prior 12-month period. **Table T3** presents the number of apartment units located in the District in 2009 through 2013.

Table T3 - District Apartment Units (2009 – 2013)

	2009	2010	2011	2012	2013
Inventory	87,090	87,970	88,710	89,464	91,121
Occupied Units	81,964	82,965	84,125	85,551	87,228

In calendar year 2013, there were 91,121 apartment units in the District, of which 87,228, or 95.7%, were occupied. It is anticipated that approximately 4,124 new apartment units will be added to the inventory between calendar years 2013 and 2014, and occupancy will grow by 3,495 units.

THE DISTRICT'S BOND RATINGS

Rating agencies assess the credit quality of municipal issuers and assign a credit rating to the issuer based on the outcome of their assessments. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. Attaining an acceptable credit rating is important to an issuer because it allows the issuer to more easily access the market and reduce borrowing cost.

The three primary agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. The District's ratings for its bonds have remained high over the last several years. **Table T4** presents the District's ratings for the past five years for its General Obligation Bonds and Income Tax Secured Revenue Bonds.

Table T4 – Bond Rating History (Last Five Fiscal Years)

	General Obligation Bonds				
	2009	2010	2011	2012	2013
Fitch Ratings	A+	AA-	AA-	AA-	AA-
Moody's Investors Service	A1	Aa2	Aa2	Aa2	Aa2
Standard & Poor's Rating Service	A+	A+	A+	A+	AA-

	Income Tax Secured Revenue Bonds				
	2009	2010	2011	2012	2013
Fitch Ratings	AA	AA+	AA+	AA+	AA+
Moody's Investors Service	Aa2	Aa1	Aa1	Aa1	Aa1
Standard & Poor's Rating Service	AAA	AAA	AAA	AAA	AAA

OTHER FACTORS AFFECTING THE DISTRICT'S FINANCIAL POSITION

The District, as the central urban location of a large metropolitan area, houses a disproportionately large share of the area's poor and needy population. The District's overall poverty rate of 18.2% and child poverty rate of 26.5% are significantly higher than the U.S. average and that of neighboring counties in Maryland and Virginia. Unlike other urban jurisdictions, the District cannot pool resources across suburban areas to serve its urban poor. Yet, it must provide state-level services such as healthcare, housing and welfare, largely through its own resources.

Moreover, the costs of delivering services to District residents are high. Labor costs in the District are 21% above the national average for public services, and the costs associated with acquiring capital goods and services are 55% above the national average. The high cost of delivering services to a large population in need of healthcare, housing, welfare and other similar services or assistance severely strains the District's financial resources. It has been estimated that if the District were to offer a basket of public services that prevail as "average" among all the state and local governments, it would have to spend 31% more than the national average to deliver it.

The District's ability to pay the high costs of service delivery is limited by several federally mandated restrictions. The federal government has restricted the District's tax base by prohibiting the taxation of federal real property. However, the federal government does not provide a Payment in Lieu of Taxes to compensate for this lost tax revenue. In addition, the Home Rule Act prohibits the District from taxing nonresident income. This prohibition significantly reduces the District's income tax base because approximately 55% of the amounts earned in the District of Columbia cannot be taxed.

As a result of these restrictions on the District's tax revenue collections, District residents must bear a disproportionate share of the costs of public services, while the benefits generated by the District are shared by a much larger community. Under slower revenue growth scenarios, District services could become severely impaired.

The U.S. Government Accountability Office (GAO), in its report entitled, "District of Columbia – Structural Imbalance and Management Issues," described the impact of the high cost of living, high poverty and crime rates, and limited tax base on the District's financial operations and estimated the range of the District's structural deficit to be between \$470 million to \$1.1 billion annually. Although the GAO's report, which was issued in May 2003, discusses conditions that existed at that time, the District's financial operations continue to be negatively impacted by the conditions reported.

LONG-TERM FINANCIAL PLANNING

As a result of improved financial management practices over the years, the District has been able to develop and operate within more disciplined budgets and address issues faced during the most challenging economic times. Accordingly, District officials have developed and implemented a plan for maintaining a strong, stable financial environment, which includes: monitoring and analyzing the District's quarterly revenue estimates and making spending adjustments throughout the year, as necessary; identifying sound measures to enhance revenue streams; and developing and implementing plans to minimize costs without sacrificing essential programs or services.

MAJOR INITIATIVES

Many initiatives and projects have been completed, are in progress, or have been planned which will help sustain the District's economy and produce strong financial results. Several of the District's major initiatives and projects are presented in **Tables T5 and T6**.

Table T5 – Top Projects Completed (by Economic Sector)

Project	Location	Square Footage/Units	Estimated Value (in \$000s)	Delivery Date
Retail:				
Rhode Island Row	2300 - 2350 Washington Place, N.E.	70,000	\$ 20,000	4th Qtr 2012
Capitol View on 14th	2400 14th Street, N.W.	15,617	\$ 126,000	2nd Qtr 2013
Progression Place	1805 7th Street, N.W.	19,200	\$ 140,000	3rd Qtr 2013
Office:				
U.S. Coast Guard Headquarters Building	2701 Martin Luther King, Jr. Avenue, S.E.	1,179,550	\$ 950,000	3rd Qtr 2013
Residential:				
TrilogyNoMa	150, 151, 200 Q Street, N.E.	603 units	\$ 160,000	4th Qtr 2012
Capitol View on 14th	2400 14th Street, N.W.	255 units	\$ 126,000	2nd Qtr 2013
Hospitality:				
Courtyard by Marriott	515 20th Street, N.W.	91,070/149 rooms	\$ 45,000	1st Qtr 2013
The Concordia	1250 New Hampshire Ave., N.W.	92,000/121 rooms	\$ 23,000	2nd Qtr 2013
Hampton Inn H Street	1729 H Street, N.W.	57,000/116 rooms	Not Provided	2nd Qtr 2013
Education and Medical:				
Cardozo High School	1200 Clifton Street, N.W.	395,000	\$ 100,000	3rd Qtr 2013
Dunbar Senior High School	1301 New Jersey Avenue, N.W.	258,800	\$ 122,000	3rd Qtr 2013

Source: Washington, D.C. Economic Partnership (D.C. Development Report 2013/2014 Edition)

Table T6 – Projects Under Construction

Project	Location	Retail Square Footage/Units	Estimated Value (in \$000s)	Estimated Delivery Date
Retail:				
CityCenterDC	9th, 10th, 11th, H, and I Streets, N.W.	185,000	\$ 700,000	4th Qtr 2013
City Market at O Street	1400 7th Street, N.W.	87,000	\$ 300,000	4th Qtr 2013
Office:				
CityCenterDC	9th, 10th, 11th, H and I Streets, N.W.	515,000	\$ 700,000	4th Qtr 2013
Residential:				
CityCenterDC	9th, 10th, 11th, H, and I Streets, N.W.	674 units	\$ 700,000	4th Qtr 2013
City Market at O Street	1400 7th Street, N.W.	497 units	\$ 300,000	4th Qtr 2013
Hospitality:				
Convention Center Hotel (Marriott Marquis)	901 Massachusetts Avenue, N.W.	1,076,363 sq ft/ 1,175 rooms	\$ 520,000	2nd Qtr 2014
City Market at O Street (Cambria Suites)	1400 7th Street, N.W.	117,000 sq ft/ 182 rooms	\$ 280,000	2nd Qtr 2014
Education and Medical:				
New Sibley	5256 Loughboro Road, N.W.	439,000	\$ 200,000	3rd Qtr 2016
Howard University Dorms	4th and Bryant Street, NW	393,812	\$ 107,000	3rg Qtr 2014
Ballou Senior High School	3401 4th Street, S.E.	365,000	\$ 130,000	3rd Qtr 2014
Washington College of Law	Tenley Campus	322,300	\$ 125,000	3rd Qtr 2015
Science and Engineering Hall	22nd and H Streets, N.W.	290,000	\$ 275,000	1st Qtr 2015

Source: Washington, D.C. Economic Partnership (D.C. Development Report 2013/2014 Edition)

Office and Hospitality Projects:

- **U.S. Department of Homeland Security Headquarters (St. Elizabeth's West Campus):**

In September 2009, the U.S. Department of Homeland Security (DHS) and the U.S. General Services Administration broke ground for the \$3.4 billion consolidated DHS headquarters, on the west campus of the old St. Elizabeth's Hospital. The first phase of this project is the new energy-efficient, 1.18 million square foot Coast Guard headquarters facility. The U.S. Coast Guard began moving into its new headquarters in August 2013 and is expected to complete the relocation from the old Buzzards Point facility by November 2013. The new headquarters facility will house approximately 3,700 Coast Guard employees.

When completed, the DHS headquarters will house approximately 14,000 employees working in the following DHS components: Transportation Security Administration, Customs and Border Protection, Immigration and Customs

Enforcement, and the Federal Emergency Management Administration.

- **Convention Center Hotel**

On November 10, 2010, the District broke ground on the 14-story Washington Convention Center Marriott Marquis Hotel. One of only four Marriott Marquis properties in the country, the hotel will have 1,175 rooms (including 46 suites) and more than 53,000 square feet of meeting space. The hotel will feature an elegant lobby and five separate retail and restaurant outlets on the ground floor; a 30,000-square foot grand ballroom; two 10,800-square foot junior ballrooms; an 18,800-square foot indoor event terrace; and a 5,200 square foot rooftop terrace.

The estimated cost of this project is \$520 million. District officials approved \$206 million in funding for the hotel during the summer of 2010 and the developer secured financing from private investors. The new hotel is expected to create about 1,000 permanent jobs.

The four-star boutique-style hotel, a mix of glass and steel, is scheduled to open in May 2014. The hotel has begun taking individual leisure travel reservations for visits starting July 1, 2014 and a number of conference bookings have also been received.

- **CityCenter DC**

Construction began in March 2011 on CityCenter DC, a \$700 million complex with 2.5 million square feet of office, residential, and retail space as well as a public plaza and park. CityCenter DC is located on the site of the former Washington Convention Center, bounded by New York Avenue, N.W., 9th Street N.W., H Street, N.W., and 11th Street, N.W.

The principal owner of the CityCenter DC project is the Qatari Diar Real Estate Investment Company. This real estate arm of the Persian Gulf state of Qatar made a \$620 million equity investment in the project.

CityCenter DC's Phase I will include six buildings (two for apartments, two for condominiums, and two for offices), which will be connected by a public courtyard. There will be 458 apartments, 216 condominiums, 185,000 square feet of retail space, 515,000 square feet of office space and four levels of underground parking. A luxury hotel is also planned for the project's second phase.

The project's developers officially began marketing the condominiums, dubbed the Residences at CityCenter, in February 2013. The Apartments at CityCenter were introduced to the market during the summer of 2013.

Transportation Projects:

- **D.C. Streetcar**

The District plans to build a \$1.5 billion network of eight streetcar lines throughout the city by 2020, providing transit links in areas currently lacking Metrorail access. Construction on the project began in 2008. The first line will be along H Street/Benning Road in the Northeast area of the District.

Approximately 80% of the construction for the H Street/Benning Road line was completed in 2011 as part of the Great Street project. The remaining 20% of the work began in December 2012. Design and construction is under way for the streetcar turnarounds; car barn training center;

installation of poles and overhead wires; track installation for turnarounds/pocket tracks; and final roadwork for turnarounds.

The District purchased its first "modern streetcars" in late 2009. These cars are approximately eight feet wide and approximately 66 feet long, about 10 inches narrower than, and one-third the length of, a light rail double car train. The modern streetcars are able to operate in mixed traffic and can easily accommodate existing curbside parking and loading. The District Department of Transportation currently has three streetcars on hand and has three additional streetcars on order.

Preliminary engineering for the commissioning track, storage yard and maintenance facility began in Fall 2012. Construction of this facility, termed the Testing and Commissioning Site, was completed during fiscal year 2013. In April and May 2013, the District's three streetcar vehicles were transferred to this site in order to begin the testing and commissioning process. Testing and commissioning ensures that the streetcars are safe for the public and that their drivers are trained and experienced before service begins.

Future streetcar lines planned or under consideration include:

- Anacostia Initial Line Segment – a 1.1 mile planned streetcar line connecting the Anacostia Metro Station with the Joint Base Anacostia-Bolling via Firth Sterling Avenue and South Capitol Street.
- Anacostia Extension – streetcar extension between the Anacostia Metrorail Station and the 11th Street Bridge through historic Anacostia.
- Benning Road Extension – extension of streetcar service from Benning Road across the Anacostia River connecting with either the Benning Road or Minnesota Avenue Metro stations.
- M Street S.E./S.W. – line which includes areas within M Street S.E./S.W., along the Southwest waterfront from 12th Street S.E. to 14th Street, S.W. and from the Southwest/Southeast Freeway, south to the Anacostia River/Washington Channel.
- North-South Corridor – a one mile corridor that includes most of the inner Southwest, crossing the National Mall, which is generally bound by 14th Street and 5th Streets N.W.
- Union Station to Georgetown – east-west corridor from Union Station to Georgetown.

- **Capital Bikeshare:** In September 2010, the District launched Capital Bikeshare, a regional bike sharing network which now includes over 2,500 bicycles throughout the District; Arlington, and Alexandria, Virginia; and Montgomery County, Maryland. Bikes are docked at bike stations where they remain locked to racks until a Capital Bikeshare member releases one for use. Anyone can become a Bikeshare member by paying the following fees: for 24 hours, \$7; for 3 days, \$15; one month, \$25; or for a full year, \$75.

Members who sign up for longer than a day receive palm-size bar-coded cards. These cards are slipped into a slot to release a bike. The first 30 minutes of each ride are free, after which an additional fee consistent with the Capital Bikeshare fee schedule is assessed.

For more information on Capital Bikeshare, including membership and fees, visit: capitalbikeshare.com.

The District has also implemented projects and initiatives which focus on protecting the environment. One such initiative is described more fully below:

- **Anacostia River Clean Up and Protection Fund/ Carryout Bag Fees:** During fiscal year 2010, the District established the Anacostia River Clean Up and Protection Fund, which is to be used solely to fund efforts to clean and protect the Anacostia River and the other impaired waterways.

In January 2010, to help fund such efforts, the District began levying a five-cent “bag tax” on District consumers. A consumer making a purchase from a retail establishment within the District must pay, at the time of purchase, a fee of five cents for each disposable carryout bag he or she receives. During fiscal year 2013, the District collected approximately \$2 million in bag taxes. Since the inception of the tax in 2010, the District has collected more than \$7 million in such taxes.

The District makes every effort to implement initiatives that will enhance the quality of services to District residents and the general public. Over the last several years, the District has introduced numerous innovative initiatives to improve service delivery, some of which included the following:

- **Electronic Payment of Taxi Fares:** With the passage of the Taxicab Service Improvement Act of 2012, the District’s taxicab fleet was required to be modernized by making vehicle and equipment improvements. As part of the

modernization efforts, taxicabs were to be equipped with a meter system that: facilitates non-cash payment of a taxicab fare, including credit cards, debit cards, and other generally acceptable means of purchasing goods and services; prints receipts to passengers automatically; and allows non-cash payment to be made in the rear compartment of the taxicab without handling by the taxicab operator. The meter will collect trip-sheet data and produce electronic manifests for drivers through the use of GPS technology. In addition, taxicab modernization will include new smart phone applications that will open up new links between passengers and drivers.

Installation of the new payment system, which includes a smart taximeter, driver device, receipt printer and passenger console, began on June 1, 2013. The first deadline for having the equipment installed was August 31, 2013 and a final deadline of September 30, 2013 was established for vehicle owners who had a signed contract with a payment service provider and had been approved for a scheduled installation. As of September 30, 2013, approximately 80% of the District’s roughly 6,500 licensed taxis had been outfitted with the new equipment and system.

- **DC311 Smartphone App:** In April 2012, the District launched the DC311 free Smartphone App, which may be used by residents to report up to 80 different common, non-emergency quality-of-life issues, such as potholes, graffiti, downed trees, and streetlight outages. The DC311 App may also be used to upload pictures and track the status of requests made. In addition, a mapping function may be used to determine where requests have been made.

The DC311 Smartphone App, together with the Citywide Call Center and 311 Online, offer ways by which the community can report non-emergency problems that need to be rectified. Information from each of these sources is funneled into one centralized database for monitoring and resolution.

- **Pay-By-Phone Parking:** The Pay-By-Phone Parking initiative, designed to make parking in the District more convenient, was implemented in fiscal year 2011.

The District Department of Transportation rolled out the pay-by-phone parking program on a District-wide basis to enable residents, workers, and visitors to use their mobile telephones to pay for parking at all of the District’s approximately

17,000 on-street metered spaces. Pay-by-phone parking gives drivers another convenient payment option. Instead of feeding cash or a credit card into a meter, transactions may be completed by telephone, on the Internet, or by using a mobile application ("app") (available for the iPhone, Android, and Blackberry).

Additional information about these and other initiatives within the District may be obtained from the following:

- **Office of the Deputy Mayor for Planning & Economic Development**
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 317
Washington, D.C. 20004
Telephone: (202) 727-6365
Website: <http://dcbiz.dc.gov>
- **District Department of Transportation**
55 M Street, S.E., Suite 400
Washington, D.C. 20003
Telephone: (202) 673-6813
Website: <http://ddot.dc.gov>
- **Office of Planning**
1100 Fourth Street, S.W., Suite E650
Washington, D.C. 20024
Telephone: (202) 442-7600
Website: <http://planning.dc.gov>
- **Department of Parks and Recreation**
3149 16th Street, N.W.
Washington, D.C. 20010
Telephone: (202) 673-7647
Website: <http://dpr.dc.gov>
- **Department of General Services**
2000 14th Street, N.W., 8th Floor
Washington, D.C. 20009
Telephone: (202) 727-2800
Website: <http://dgs.dc.gov>
- **U.S. General Services Administration**
1800 F Street, N.W.
Washington, D.C. 20405
Telephone: (202) 501-0705
Website: <http://www.gsa.gov>

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2012. The District has received this award for 29 of the last 31 years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2013 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2012, for the tenth consecutive year. The PAFR presents the District's financial results in a format and language that allows information to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the CAFR. It contains very few financial statements, less technical language, and more graphics and photographs.

Like the Certificate of Achievement, the Award for Popular Annual Financial Reporting is valid for one year only. The District expects that the fiscal year 2013 PAFR, which will be issued within 30 days after the CAFR is completed, will conform to the Award for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another award.

Acknowledgments

I would like to thank the District's accounting and financial management personnel who worked collaboratively with the Office of Financial Operations and Systems throughout the year. I greatly appreciate their efforts, which contribute significantly to the timely preparation of the CAFR. I want to thank my immediate staff, *Bill Slack, Diji Omisore, Tonja Lowe, Wilma Matthias, Randy David, Vanessa Jackson*, and their respective teams. I am grateful for their dedicated efforts. I would also like to thank the Office of the Inspector General, and the District's independent auditors, KPMG LLP, assisted by Bert Smith & Company, for their efforts throughout the audit engagement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bert Molina". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bert Molina
Deputy Chief Financial Officer
Financial Operations and Systems

DISTRICT OF COLUMBIA PRINCIPAL OFFICIALS
September 30, 2013

ELECTED OFFICIALS			
Name	Position	First Took Office	Term Expires
Chief Executive Officer			
Vincent C. Gray	Mayor	2011	2015
Council			
Phil Mendelson	Chairman	1999	2015
David Catania	At Large	1997	2015
Vincent Orange	At Large	2011	2017
Anita Bonds	At Large	2012	2015
David Grosso	At Large	2013	2017
Jim Graham	Ward 1	1999	2015
Jack Evans	Ward 2	1991	2017
Mary M. Cheh	Ward 3	2007	2015
Muriel Bowser	Ward 4	2007	2017
Kenyan McDuffie	Ward 5	2012	2015
Tommy Wells	Ward 6	2007	2015
Yvette M. Alexander	Ward 7	2007	2017
Marion Barry, Jr.	Ward 8	2005	2017
House of Representatives			
Eleanor Holmes Norton	Delegate	1991	2015

EXECUTIVE OFFICERS	
Name	Position
Allen Lew	City Administrator
Natwar M. Gandhi	Chief Financial Officer, June 2000 – January 2014
Jeffrey DeWitt	Chief Financial Officer, January 2014
Irvin B. Nathan	Attorney General
Christopher Murphy	Chief of Staff
Cynthia Brock-Smith	Secretary of the District of Columbia
Abigail Smith	Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Kaya Henderson	Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordon McDonald	Deputy CFO, Budget and Planning
Bert Molina	Deputy CFO, Financial Operations and Systems
Jeffrey Barnette	Deputy CFO, Finance and Treasury
Fitzroy Lee	Deputy CFO, Revenue Analysis
Stephen Cordi	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed Mohamed	Associate CFO, Governmental Operations
George Dines	Associate CFO, Government Services
Delicia Moore	Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
Deloras A. Shepherd	Associate CFO, Education
Buddy Roogow	Executive Director, D.C. Lottery

GOVERNMENT OF THE DISTRICT OF COLUMBIA





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Government of the District
of Columbia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is written in a cursive, flowing style.

Executive Director/CEO



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CAFR

2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT



VINCENT C. GRAY
MAYOR

NATWAR M. GANDHI
CHIEF FINANCIAL OFFICER
JUNE 2000–JANUARY 2014

JEFF DEWITT
CHIEF FINANCIAL OFFICER
PRESENT

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

Year Ended September 30, 2013



INDEPENDENT AUDITORS' REPORT



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the District of Columbia Housing Finance Agency, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison statement for the general and private resources funds for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Accounting Change

As discussed in Note 1 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented GASB Statement number 65, *Items Previously Reported As Assets and Liabilities*. The District has reclassified the deferred amount on refunding previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources, respectively. As a result of this implementation, the District adjusted the 2013 opening balance for net position in order to expense bond issuance costs in the period in which they were incurred.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information presented in the financial section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The other supplementary information presented in the financial section as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

January 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2013

(Dollar amounts expressed in thousands)

The following is a discussion and analysis of the District of Columbia's (the District's) financial performance for the fiscal year ended September 30, 2013, which includes a narrative overview and analysis of the District's financial activities. This information should be read in conjunction with the transmittal letter, located in the Introductory Section of this report, and the District's basic financial statements and note disclosures, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- As of September 30, 2013, the District's assets plus deferred outflow of resources exceeded its liabilities plus deferred inflow of resources by \$3,727,970. The District had negative unrestricted net position totaling \$628,134 at the end of fiscal year 2013. (See Table MDA-1)
- The District's total net position increased by \$313,058 primarily as a result of an increase of \$308,938 in revenues in fiscal year 2013.
- General revenues increased by approximately \$221,014 due to increases in income and franchise taxes, and property taxes totaling \$137,589 and \$67,717, respectively. Expenses increased by \$357,674 over the one-year period due mainly to increased spending for economic development, education, and human support services. Higher than expected increases in revenues from property taxes and deed and estate taxes combined with the implementation of self-imposed cost reduction plans also contributed to the increase in net position. (See Table MDA-2)
- As of September 30, 2013, the District's governmental funds reported combined ending fund balances of \$2,466,592, an increase of \$534,698 in comparison with the prior year. (See Table MDA-3)
- The District's total long-term liabilities increased by \$739,991, or 8.1%, during fiscal year 2013. This increase resulted, in large part, from the District's issuance of Income Tax Secured Revenue Bonds during the year to fund infrastructure improvements/capital projects and refund certain series of outstanding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

In general, the purpose of financial reporting is to provide users of financial statements with information that will help them make decisions or reach conclusions about a reporting entity. Many parties use the District's financial statements; however, they do not always use them for the same purpose. In order to address the needs of as many financial statement users as possible, the District, in accordance with generally accepted accounting principles (GAAP) presents: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements focus on the District's overall financial position and activities, and include a *statement of net position* and a *statement of activities*. These financial statements report on the

primary government and its component units. The primary government is further divided into governmental activities and business-type activities.

The purpose of the *statement of net position* is to report all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the fiscal year. The difference between the District's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is classified as net position. Total net position is comprised of three components: 1) *net investment in capital assets*; 2) *restricted*; and 3) *unrestricted*. In general, gauging increases or decreases in net position is one way to assess the District's financial position over time. Other factors, such as changes in population, the property tax base, infrastructure conditions, and other non-financial matters, should also be considered when assessing the District's overall financial health.

The purpose of the *statement of activities* is to present the District's revenues and expenses. The difference between revenues and expenses is reported as "change in net position". All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement also include items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The *statement of activities* summarizes both the gross and net cost of the governmental activities and business-type activities. Governmental activities include the District's basic functional services which are generally financed through taxes, intergovernmental revenues and other revenues. Business-type activities include enterprise operations which are primarily funded by fees for services which are expected to cover all or most of the costs of operations, including depreciation. Program or functional expenses are reduced by program-specific earned revenues, and by grants and contributions.

The District's government-wide financial statements are presented on pages 42 and 43 of this report.

Fund Financial Statements

Unlike the government-wide financial statements, the fund financial statements focus on specific District activities rather than the District as a whole. Specific funds are established to maintain managerial control over resources or to comply with legal requirements established by external parties, governmental statutes, or regulations. The District's fund financial statements are divided into three categories: (1) governmental funds; (2) proprietary funds; and (3) fiduciary funds.

Financial statements of the governmental funds consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balance. These statements are prepared using a basis of accounting which differs from that used to prepare the government-wide statements. Financial statements of the governmental funds focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting. However, government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting. Financial statements of the governmental funds have a short-term emphasis, and generally measure and account for cash and other assets that can easily be converted to cash. As such, these statements present the District's financial position at the end of the fiscal year and how the governmental activities were financed during the year.

The balances and activities accounted for in governmental funds are also reported in the governmental activities column of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences in the totals presented in these statements. Therefore, an analysis is presented at the bottom of the balance sheet of the governmental funds, that reconciles the total fund balances to the amount of net position presented in the governmental activities column of the statement of net position. In addition, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total net change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column of the government-wide statement of activities.

The District identified its nonspendable fund balance and further classified spendable fund balance as restricted, committed, assigned, or unassigned based on the relative strength of the constraints controlling how specific amounts may be used.

The District presents funds that are significant to the District (major funds) in separate columns. All other governmental funds are aggregated and reported in a single column (nonmajor funds).

The financial statements of the District's governmental funds are presented on pages 44 through 47 of this report.

Financial statements of the proprietary funds consist of a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. The District's proprietary funds are used to account for the activities of District entities that charge customers fees for the services provided. The financial statements of the District's proprietary funds present the changes in financial position and condition of the District's two major proprietary funds, the D.C. Lottery & Charitable Games Board and the Unemployment Compensation Fund.

The Unemployment Compensation Fund is reported as a proprietary fund similar to a public entity risk pool because the District is required by law to recover its costs.

The financial statements of the District's proprietary funds are presented on pages 48 through 50 of this report.

Financial statements of the fiduciary funds consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. These statements are

prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. Assets held by the District (either as a trustee or as an agent) for other parties, that cannot be used to finance the District's operating programs, are reported in the fiduciary funds. The District is responsible for ensuring that the activities reported in the fiduciary funds are consistent with each fund's intended purpose.

The financial statements of the District's fiduciary funds are presented on pages 51 and 52 of this report.

Component Units

Combining financial statements, presented on pages 53 and 54 report the financial data for the District's discretely presented component units.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements, which begin on page 55, present additional information that is essential

to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress toward funding its obligation to provide pension and other postemployment benefits to District employees. Required supplementary information can be found on pages 129 through 131 of this report.

Financial statements of individual funds, combining statements (in connection with nonmajor governmental funds), and supporting schedules are presented immediately following the required supplementary information on postemployment benefits. Financial statements of individual funds and combining statements and schedules can be found in the other supplementary information section presented on pages 133 through 159 of this report.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND OPERATIONS

The District's overall financial position improved as a result of the year's activities. The District's financial position and operations for the past two fiscal years are summarized in **Tables MDA-1 and MDA-2**. The

information for fiscal years 2012 and 2013 is based on the government-wide financial statements presented on pages 42 and 43 of this report.

Table MDA-1 - Net Position as of September 30, 2013

	Governmental activities		Business-type activities		Totals	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
Current and other assets	\$ 4,811,391	\$ 4,045,445	\$ 323,173	\$ 324,372	\$ 5,134,564	\$ 4,369,817
Capital assets	10,899,939	10,424,959	427	480	10,900,366	10,425,439
Total assets	15,711,330	14,470,404	323,600	324,852	16,034,930	14,795,256
Deferred outflow of resources	50,275	73,597	-	-	50,275	73,597
Long-term liabilities	9,910,463	9,164,291	10,200	16,381	9,920,663	9,180,672
Other liabilities	2,369,462	2,198,815	67,110	74,454	2,436,572	2,273,269
Total liabilities	12,279,925	11,363,106	77,310	90,835	12,357,235	11,453,941
Net position:						
Net investment in capital assets	2,849,043	2,872,272	427	480	2,849,470	2,872,752
Restricted	1,264,682	1,057,582	241,952	229,930	1,506,634	1,287,512
Unrestricted	(632,045)	(748,959)	3,911	3,607	(628,134)	(745,352)
Total net position	\$ 3,481,680	\$ 3,180,895	\$ 246,290	\$ 234,017	\$ 3,727,970	\$ 3,414,912

Table MDA- 2 - Change in Net Position for the year ended September 30, 2013

	Governmental activities		Business-type activities		Totals		Variance
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated	
Revenues:							
Program revenues:							
Charges for services	\$ 531,215	\$ 537,403	\$ 242,460	\$ 249,675	\$ 773,675	\$ 787,078	\$ (13,403)
Operating grants and contributions	3,277,118	3,190,038	32,790	27,945	3,309,908	3,217,983	91,925
Capital grants and contributions	270,813	261,411	-	-	270,813	261,411	9,402
General revenues:							
Property taxes	2,012,788	1,945,071	-	-	2,012,788	1,945,071	67,717
Sales and use taxes	1,247,374	1,218,576	-	-	1,247,374	1,218,576	28,798
Income and franchise taxes	2,094,179	1,956,590	-	-	2,094,179	1,956,590	137,589
Other taxes	746,160	723,102	131,025	133,618	877,185	856,720	20,465
Non tax revenues	586,168	536,534	103,884	187,073	690,052	723,607	(33,555)
Total revenues	10,765,815	10,368,725	510,159	598,311	11,275,974	10,967,036	308,938
Expenses:							
Governmental direction and support	993,774	987,978	-	-	993,774	987,978	5,796
Economic development and regulation	460,082	353,618	-	-	460,082	353,618	106,464
Public safety and justice	1,497,016	1,490,423	-	-	1,497,016	1,490,423	6,593
Public education system	2,224,946	2,113,955	-	-	2,224,946	2,113,955	110,991
Human support services	4,086,722	3,925,613	-	-	4,086,722	3,925,613	161,109
Public works	603,423	587,002	-	-	603,423	587,002	16,421
Public transportation	284,851	221,339	-	-	284,851	221,339	63,512
Interest on long-term debt	382,530	397,216	-	-	382,530	397,216	(14,686)
Lottery and games	-	-	173,927	183,185	173,927	183,185	(9,258)
Unemployment compensation	-	-	255,645	344,913	255,645	344,913	(89,268)
Total expenses	10,533,344	10,077,144	429,572	528,098	10,962,916	10,605,242	357,674
Increase in net position before transfers	232,471	291,581	80,587	70,213	313,058	361,794	(48,736)
Transfers in (out)	68,314	66,404	(68,314)	(66,404)	-	-	-
Change in net position	300,785	357,985	12,273	3,809	313,058	361,794	(48,736)
Net position - Oct 1	3,180,895	2,822,910	234,017	230,208	3,414,912	3,053,118	361,794
Net position - Sept 30	\$ 3,481,680	\$ 3,180,895	\$ 246,290	\$ 234,017	\$ 3,727,970	\$ 3,414,912	\$ 313,058

Please refer to Note 1W – Reconciliation of Government-Wide and Fund Financial Statements, on page 76 for additional information on the differences between the two bases of accounting that the District used in this report.

Financial Analysis of the Government as a Whole

- The District's combined net position (governmental and business-type activities) increased by \$313,058 or 9.2%, from \$3,414,912 in fiscal year 2012 to \$3,727,970 in fiscal year 2013. Revenues increased by \$308,938, or 2.8%, between fiscal year 2012 and 2013. The most significant increases were in operating grants and contributions and income and franchise taxes, which grew by \$91,925 and \$137,589, respectively. Expenses also increased by \$357,674, or 3.4%. The most significant increases in expenses were in economic development and regulation, public education, and human support services, which grew by \$106,464, \$110,991, and 161,109, respectively.

Restricted net position represents assets that are subject to use constraints imposed either: (a) externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) by law, through constitutional provisions or enabling legislation. Restricted net position totaled \$1,506,634 in fiscal year 2013 and \$1,287,512 in fiscal year 2012, representing an increase of \$219,122, or 17.0%.

Total net position of governmental activities was \$3,481,680 in fiscal year 2013, which was \$300,785 or 9.5%, more than total net position of governmental activities in fiscal year 2012. Governmental activities expenses increased by \$456,200 from the prior year and governmental activities revenues increased by \$397,090.

Total net position increased mainly as a result of effective management of expenditures, and increases in revenues from income and franchise taxes, and property taxes. Negative unrestricted net position improved by \$117,218 to \$628,134 in fiscal year 2013 compared to \$745,352 in fiscal year 2012. Unrestricted net position remained negative at September 30, 2013, because the District has certain long-term liabilities which are funded on a pay-as-you-go basis. Therefore, resources or assets were not accumulated in advance but were appropriated as these liabilities became due.

The Lottery and Charitable Games Control Board (the Lottery), a proprietary fund of the primary government, transfers substantially all of its net income to the District at the end of each fiscal year. In fiscal years 2013 and 2012, the Lottery transferred \$68,314 and \$66,404 to the District's General Fund, respectively.

Chart MDA-1 graphically depicts the District's sources of revenues in its governmental activities as presented in **Table MDA-2, Change in Net Position for the year ended September 30, 2013**, found on page 28.

Chart MDA-1 – Revenues by Source – Governmental Activities

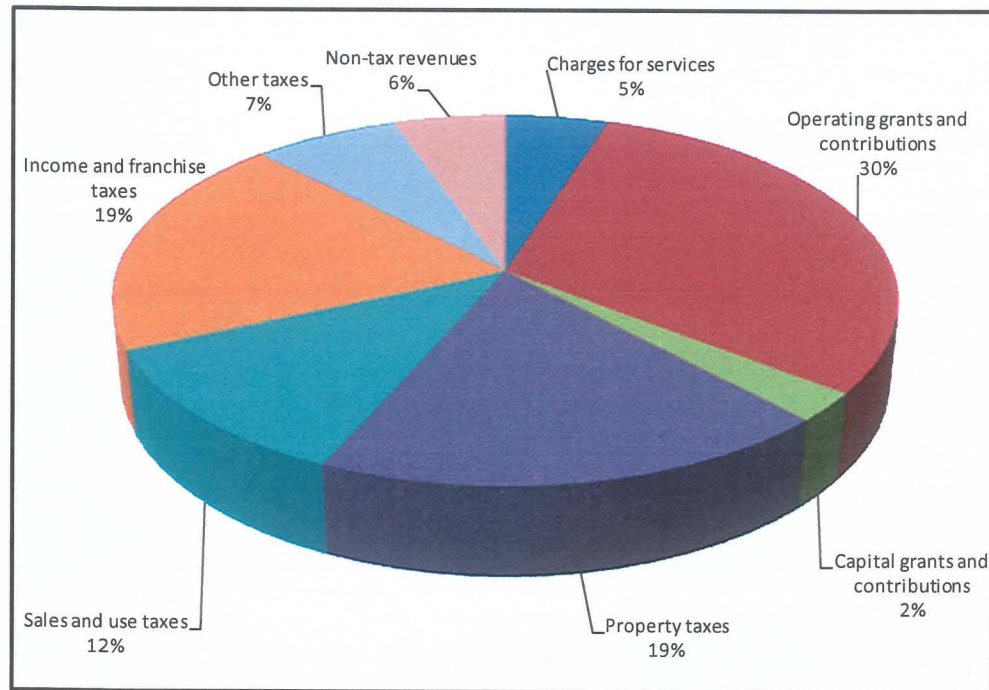
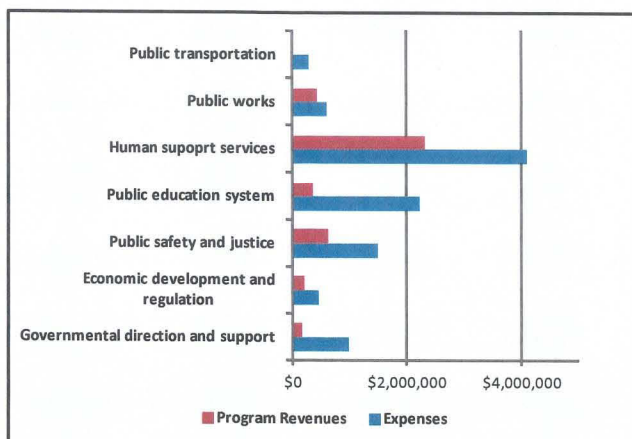


Chart MDA-2 displays both expenses and program revenues of selected governmental activities for the fiscal year. The governmental activities are: governmental direction and support, economic development and regulation, public safety and justice, public education, human support services, public works,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

Chart MDA-2 – Governmental Activities Expenses and Program Revenues



Total net position of the business-type activities increased by \$12,273, or 5.2%, between fiscal year 2012 and 2013. Business-type activities experienced an increase in net position because expenses decreased by \$98,526, or 18.7% and revenues also decreased but at a lesser rate of 14.7%, or \$88,152. The decrease in expenses was due primarily to the decrease of \$89,268, or 25.9%, in unemployment benefit payments. This reduction in benefit payments arose as a result of the decline in the average overall unemployment rate whereby fewer individuals were paid benefits.

Reporting on the District's Most Significant Funds

Fund financial statements focus on major funds, instead of fund types. A governmental fund is classified as a major fund if the fund has revenues, expenditures/expenses, assets plus deferred outflows of resources, or liabilities (excluding extraordinary items) plus deferred inflows of resources that are at least 10% of the corresponding totals for all governmental funds and at least 5% of the aggregate amount for all governmental and proprietary funds for the same item. Major funds, as required by generally accepted accounting principles (GAAP), are presented individually with nonmajor governmental funds combined in a single column. Detailed information for individual nonmajor governmental funds can be found in Other Supplementary Information, Exhibits B-1 and B-2, presented on pages 144 and 145 of this report.

Governmental Funds

The District's governmental funds provide information that is useful when assessing the District's financing needs, such as data pertaining to near-term inflows, outflows, and balances of spendable resources. For instance, the amount of unassigned fund balance may serve as a useful measure of the government's net resources that are available for appropriation/spending as of the end of the fiscal year.

Most basic services are reported in the governmental funds, which are further classified as General, Federal and Private Resources, Housing Production Trust Fund, General Capital Improvements, and Nonmajor Governmental Funds. Please refer to Exhibits 2-a and 2-b presented on pages 44 and 45 for more detailed information about these funds.

Fund Balances: The governmental funds reported a combined fund balance of \$2,466,592 in fiscal year 2013 and \$1,931,894 in fiscal year 2012, which represents an increase of \$534,698, or 27.7%, from the prior year. The components of the combined fund balance of the governmental funds are presented in **Table MDA-3**.

Table MDA-3 – Comparison of FY 2013 and FY 2012 Fund Balance

	FY 2013 Balance	FY 2012 Balance	Dollar Variance	Percentage Variance
General	\$ 1,748,928	\$ 1,506,521	\$ 242,407	16.1%
Federal and Private Resources	170,162	180,921	(10,759)	-5.9%
Housing Production Trust	139,731	74,379	65,352	87.9%
General Capital Improvements	102,434	(116,269)	218,703	-188.1%
Nonmajor governmental funds	305,337	286,342	18,995	6.6%
Total Fund Balance	\$ 2,466,592	\$ 1,931,894	\$ 534,698	27.7%

Fund balance in the Federal and Private Resources Fund decreased by \$10,759 or 5.9% between fiscal years 2012 and 2013. This relatively moderate decrease in fund balance was due to significant increases in operating grant revenue that were offset by increased expenditures primarily in the areas of Public Safety and Justice and Human Support Services. Total revenues in the Federal and Private Resources Fund increased by \$97,041 and \$87,021 or 89.7%, of that increase was due to operating grants. Expenditures in the Federal and Private Resources Fund also increased by a larger amount over the one-year period. Total expenditures in this fund increased by \$104,226.

Fund balance in the Housing Production Trust Fund increased by \$65,352, or 87.9% between fiscal years 2012 and 2013. This increase was due primarily to transfers in from the General Fund.

The most significant changes in the total fund balance of the governmental funds were in the General Capital Improvements Fund and the General Fund, the District's primary operating fund. A more detailed discussion of the District's General Fund follows.

Revenues: General Fund revenues increased by \$270,125 in fiscal year 2013. **Table MDA-4** presents the most significant one-year variances in General Fund revenues.

Table MDA-4 – Changes in Major General Fund Revenues

Revenue Category	Fiscal Year 2013	Fiscal Year 2012	Dollar Variance	Percentage Variance
Property taxes	\$ 2,012,511	\$ 1,902,541	\$ 109,970	5.8%
Income and franchise taxes	2,094,179	1,956,590	137,589	7.0%
Total	\$ 4,106,690	\$ 3,859,131	\$ 247,559	6.4%

Property tax. Personal property tax collections increased between fiscal years 2012 and 2013 as a result of several factors. Although in fiscal year 2013 the District continued to experience some effects of the recent national economic recession, residential property values stabilized with slight increases in total residential values. Therefore, certain classes of property tax collections grew due to rising property values. Increased property tax collections also resulted from the effect of the assessment cap for many homestead properties. For such properties, the assessment cap caused the annual tax liability to increase 10% annually, although the respective home values did not increase at the same rate.

Income and franchise tax. Wages and salaries earned by District residents continued to increase in fiscal year 2013. The non-withholding component of income tax revenue, which includes declarations (estimated payments), increased in fiscal year 2013. The behavior of the declarations component is related to the performance

of the stock market which continued to gain strength in fiscal year 2013.

Dedicated Revenues

The dedicated portions of tax revenues related to the special revenue funds are recorded directly in those funds. However, dedicated taxes for the Convention Center, Healthcare Programs and Highway Trust Fund are transferred out of the local fund (the major component of the general fund). Healthcare Program activities are recorded in a segregated fund within the general fund. In fiscal year 2013, the District dedicated a total of \$331,966 in tax revenues to fund the projects shown in Table MDA-5.

Expenditures: The District's general fund expenditures, excluding debt service, increased by \$329,080 from the previous year. Variances by program or function are presented in Table MDA-6.

Table MDA-5 – Dedicated Local Tax Revenues

	Total Dedicated Taxes	General Fund			Special Revenue Funds			
		Convention Center	Healthcare Programs	Highway Trust Fund	Tax Increment Financing Program	PILOT Special Revenue	Baseball Project	Housing Production Trust Fund
Property taxes	\$ 27,986	\$ -	\$ -	\$ -	\$ 15,802	\$ 12,184	\$ -	\$ -
Sales and use taxes	157,022	104,108	-	-	37,506	-	15,408	-
Gross receipts taxes	40,120	-	-	-	-	-	40,120	-
Motor fuel taxes	22,389	-	-	22,389	-	-	-	-
Other taxes	84,449	-	37,895	-	-	-	-	46,554
Total taxes	\$ 331,966	\$ 104,108	\$ 37,895	\$ 22,389	\$ 53,308	\$ 12,184	\$ 55,528	\$ 46,554

Table MDA-6 – General Fund Expenditure Variances by Function

Program/ Functional Area	Fiscal Year 2013	Fiscal Year 2012	Dollar Variance	Percentage Variance
Governmental direction and support	\$ 748,634	\$ 694,011	\$ 54,623	7.9%
Economic development and regulation	260,700	194,458	66,242	34.1%
Public safety and justice	982,461	954,077	28,384	3.0%
Public education system	1,681,634	1,571,264	110,370	7.0%
Human support services	1,783,940	1,727,072	56,868	3.3%
Public works	261,049	311,968	(50,919)	-16.3%
Public transportation	284,851	221,339	63,512	28.7%
Total Functional Expenditures	\$ 6,003,269	\$ 5,674,189	\$ 329,080	5.8%

Explanations for significant variances in General Fund expenditures are presented below:

Economic Development and Regulation – Several factors contributed to the increased expenditures in this functional area in fiscal year 2013. The Housing Authority's subsidy increased significantly in fiscal year 2013 in support of the Local Rent Supplement Program, which provides rental assistance to low-income families throughout the District. In addition, the District's Housing Production Trust Fund's Subsidy also increased substantially over the one year period.

Public Education – Increased expenditures in Public Education were attributable to efforts made to improve operations within schools and educational facilities and comply with legal mandates.

Several factors, which contributed to increased Public Education expenditures, included but were not limited to the following:

- Increased fringe benefits as a result of the District's contribution for employee health insurance being adjusted back to 75% of the associated premiums from the rate of 72% applied in recent years;
- Increased enrollment in the District of Columbia Public Schools (DCPS) and the creation of several new initiatives, such as an intensive algebra program for DCPS students and a journalism mentoring program for DCPS high school students;
- Increased enrollment in the District of Columbia Public Charter Schools;
- Increase in the Uniform Per Student Funding Formula;
- Increased costs associated with conducting: (a) an annual enrollment audit of DCPS; (b) grants management and compliance activities associated with the Common Core movement, child care eligibility and the development and maintenance of a child care data management system; and
- Increased number of term employees and overtime pay to align branch positions within the DC Public Library (DCPL) system to DCPL's staffing patterns.

Public Transportation - Subsidy payments made to the Washington Metropolitan Area Transit Authority increased in fiscal year 2013 as a result of increased operating costs of the Metro system.

Public Works – Decreased expenditures in Public Works resulted primarily from cost saving initiatives implemented by the Department of Public Works (DPW). One such initiative was the DPW Waste Collection

Division's adoption of the Gainsharing Program in fiscal year 2013. In addition, the elimination of stimulus funding and the loss of the Centers for Disease Control and Prevention grant at the District Department of the Environment also contributed to the reduced spending in fiscal year 2013.

Capital Expenditures and Financing

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

The District spent \$1,181,289 on general capital improvements which exceeded the general capital improvements revenues of \$280,258 by \$901,031, which is reported as a deficiency in the capital projects fund. This deficiency was subsequently financed with a total of \$1,119,734 from bond proceeds and other financing sources. The net change in the fund balance was an increase of \$218,703.

Proprietary Funds

The District currently has two major Proprietary Funds: the D.C. Lottery & Charitable Games Board (Lottery), and the Unemployment Compensation Fund (Unemployment).

The total assets for the Lottery decreased by \$5,046 or 16.2%, over the prior year, due to scheduled payments to long-term prize winners.

Total assets for Unemployment increased by \$5,133, or 1.6%, due primarily to an increase in the amount due from the federal government for extended benefits. District residents who have exhausted regular District benefits may also participate in the federally funded Emergency Unemployment Compensation (EUC) Program. Pursuant to the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, the EUC program was extended until March 6, 2012 and

subsequently extended by Congress until January 1, 2014. Between 2012 and 2013, there was a \$9,760 increase in the amount owed to Unemployment by the federal government for extended benefits.

Overall total net position of the District's proprietary funds increased by \$12,273, or 5.2%, over the prior year. Exhibits 3-a, 3-b, and 3-c on pages 48 through 50 present the financial statements of the proprietary funds.

Charts MDA-3 and MDA-4 graphically present comparisons of the revenues and expenses of the District's proprietary funds, based on information contained in the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds, shown on page 49 of this report.

Chart MDA-3 – Operating Revenues and Expenses – Business-type Activities

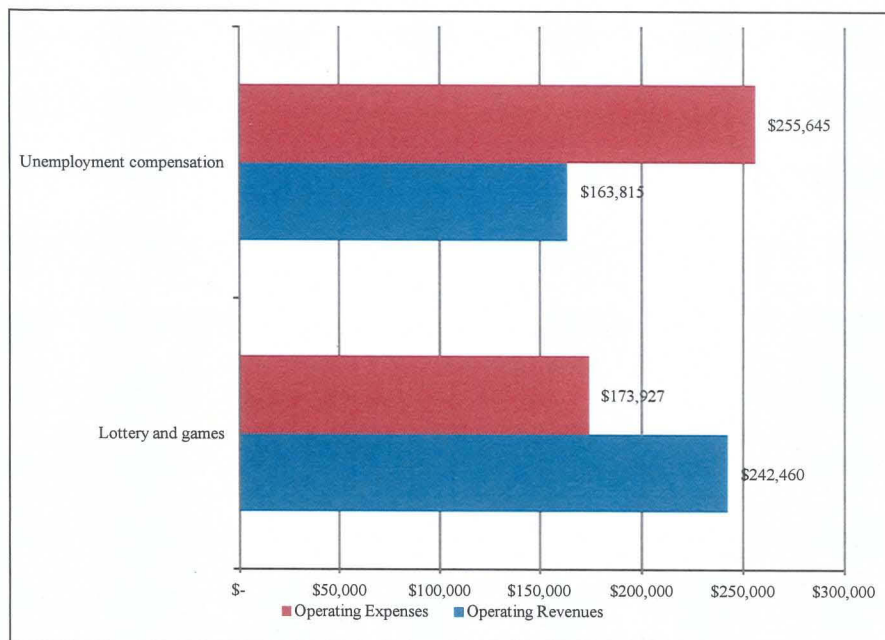
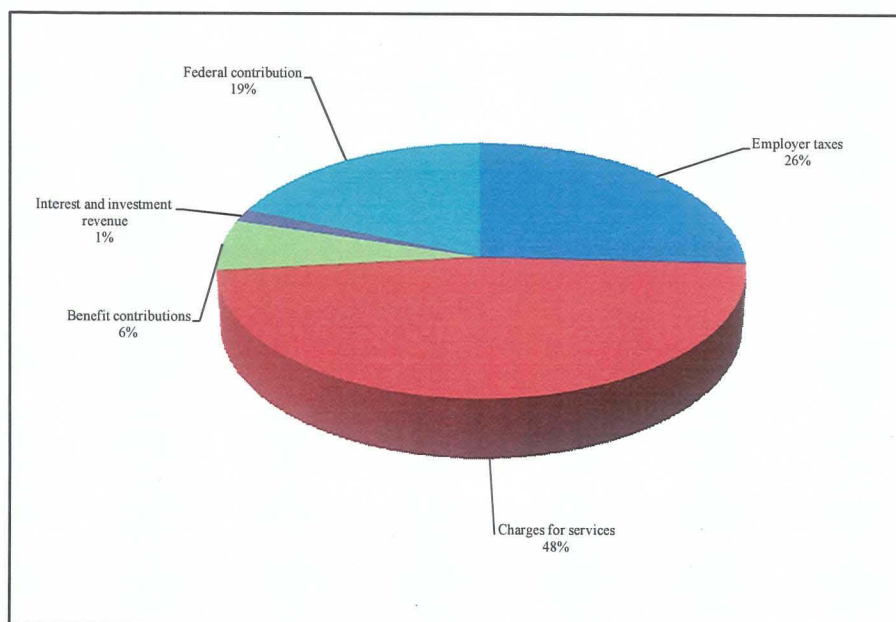


Chart MDA-4 – Revenues by Source – Business-type Activities



Fiduciary Funds

The *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. The District is the *trustee or fiduciary* for its employees' pension plans and other postemployment benefits (OPEB). All fiduciary activities are reported in Exhibit 4-a, *Statement of Fiduciary Net Position* and Exhibit 4-b, *Statement of*

Changes in Fiduciary Net Position on pages 51 and 52 respectively. Exhibits C-1, C-2, and C-3, presented on pages 148, 149, and 150 respectively, provide additional information. These activities are excluded from the District's governmental and business-type activities because resources of fiduciary funds are restricted and are not available to support the District's operations. The changes in the net position of the Pension Trust Funds and OPEB Trust Fund are presented in **Table MDA-7**.

Table MDA-7 - Variances in Net Position of Pension and OPEB Trust Funds

Trust Fund	Fiscal Year 2013	Fiscal Year 2012	Dollar Variance	Percentage Variance
Police and Firefighters Pension	\$ 4,168,457	\$ 3,681,854	\$ 486,603	13.2%
Teachers Pension	1,622,375	1,503,486	118,889	7.9%
Other Postemployment Benefits	897,815	693,344	204,471	29.5%
Total Net Position	\$ 6,688,647	\$ 5,878,684	\$ 809,963	13.8%

Net position of the fiduciary funds increased due to increases in the value of equity investments.

Private-purpose trust funds are used to report any trust arrangement not reported in the pension or OPEB trust funds under which principal and income benefit specific individuals, private organizations, or other governments. The District's 529 College Savings Investment Plan, which is designed to help families save for the higher education expenses of designated beneficiaries, comprises the Private-Purpose Trust Fund.

Component Units

Discretely presented component units are legally separate organizations that meet the following criteria: (a) the District appoints a voting majority of the entity's governing board and (b) there is a financial benefit/burden relationship between the District and the entity or the District is able to impose its will on the entity. Consistent with these criteria, the District reports five discretely presented component units: (1) Health Benefit Exchange Authority; (2) Washington Convention and Sports Authority; (3) Not-For-Profit Hospital Corporation (d/b/a United Medical Center); (4) Housing Finance Agency; and (5) University of the District of Columbia. In prior fiscal years, the Water and Sewer Authority (WASA) was also reported as a discretely presented component unit of the District because the District was responsible for debt service on certain general obligation bonds issued by the District on behalf of WASA. These bonds matured in fiscal year 2012 and no further debt service payments were owed by WASA. Accordingly, WASA no longer meets the financial benefit/burden criterion for inclusion as a discretely presented component unit.

Other component units have operations that are so intertwined with those of the primary government that they function, for all practical purposes, as an integral part of the primary government. These are reported as blended component units. A component unit should be blended when the primary government and the component unit share a common governing body and (a) there is a financial benefit or burden relationship between the District and the entity, or (b) the District has operational responsibility for the entity. In addition, blending is required when the component unit either: (a) provides service entirely or almost entirely to the primary government; or otherwise exclusively or almost exclusively benefits the primary government, although it does not provide services directly to it; or (b) the entity's total debt outstanding is expected to be repaid entirely or almost entirely with District resources.

The District reports one blended component unit, the Tobacco Settlement Financing Corporation (Tobacco Corporation). The Tobacco Corporation is a blended component unit because: (a) the District appoints the Tobacco Corporation's board; (b) the District is legally entitled to and can otherwise access the Tobacco Corporation's resources which constitutes a benefit/burden relationship; and (c) the District has the ability to modify or approve the Tobacco Corporation's budget, which gives the District the ability to impose its will on the Tobacco Corporation. In addition, the Tobacco Corporation provides services entirely to the District.

Each of the component units prepares its own independently audited financial statements, which are accompanied by their respective Management's Discussion and Analysis. Exhibits 5-a and 5-b on pages

53 and 54, respectively, present more detailed financial information on the District's component units.

Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. This need occurs due to time lags between the receipt of taxes, grants and other revenues, and the outflow of funds for governmental operations and required disbursements. The District issued \$675,000 in Tax Revenue Anticipation Notes (TRANS) on October 23, 2012, at an interest rate of 2.00%. The District is required by law to repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. Accordingly, by September 30, 2013, the District had repaid these outstanding TRANS.

Long-Term Debt

The District is empowered by law (Section 461 of the District of Columbia Home Rule Act, as amended) to issue general obligation bonds to refund indebtedness of the District and to provide for the payment of the costs of acquiring capital assets or undertaking various capital

projects. The District also issues income tax secured revenue bonds pursuant to the Bond Authorization Act of 2008 (D.C. Code §§ 47-340.26 to 47-340.36). The payment of principal and interest on these bonds comes solely from the associated trust estate and the available pledged tax revenues. The income tax secured revenue bonds are without recourse to the District, and are not a pledge of, and do not involve the full faith and credit or the taxing power of the District.

The District also issues, on a less frequent basis, other types of long term debt, including Tax Increment Financing (TIF) Bonds, Tobacco Bonds, Housing Production Trust Bonds (HPTF), Qualified Zone Academy Bonds, and other revenue bonds.

At September 30, 2013, the District had \$9,920,663 in long term debt outstanding, of which \$8,288,265, or 83.5%, was in the form of bonds. Of the outstanding bonds, \$2,245,185, or 27.1%, were general obligation bonds, and \$4,457,675, or 53.8%, were income tax secured revenue bonds. **Table MDA-8** presents the District's outstanding bonds as of September 30, 2013.

Table MDA-8 – Outstanding Bonds at September 30, 2013 and 2012

Outstanding Bond Debt				
Type of Bonds	2013	2012	Dollar Variance	Percentage Variance
General Obligation Bonds	\$ 2,245,185	\$ 2,295,225	\$ (50,040)	-2.2%
Income Tax Secured Revenue Bonds	4,457,675	3,799,645	658,030	17.3%
Other Bonds:				
Qualified Zone Academy Bonds	6,682	7,628	(946)	-12.4%
Tobacco Bonds	647,459	677,219	(29,760)	-4.4%
TIF Bonds	108,782	112,985	(4,203)	-3.7%
Ballpark Bonds	502,255	507,935	(5,680)	-1.1%
GARVEE Revenue Bonds	117,570	78,775	38,795	49.2%
HPTF Bonds	120,450	82,805	37,645	45.5%
A W C PILOT Revenue Bonds	77,210	84,085	(6,875)	-8.2%
NCRC Revenue Bonds	4,997	14,839	(9,842)	-66.3%
Total	\$ 8,288,265	\$ 7,661,141	\$ 627,124	8.2%

The \$658,030 increase in Income Tax Secured Revenue Bonds is due to the following bond issuances made in fiscal year 2013:

- Issued in November 2012, \$750,765 in Income Tax Secured Revenue Bonds, Series 2012C and \$25,005 in Income Tax Secured Revenue Refunding Bonds, Series 2012D, which were used to pay for the costs of capital projects and the costs of issuing and delivering the bonds. These bonds were also used to refund the 4.00% PILOT Revenue Bond Anticipation

Notes (Arthur Capper/Carrollburg Public Improvement Issue), Series 2010.

The total debt per capita as of September 30, 2013, was \$13,158 (not in thousands). This represents a decrease of \$620 (not in thousands), or 4.9%, over the prior year. This decrease is due to an increase in the District's population between fiscal years 2012 and 2013. Exhibit S-3C, on page 180 presents ratios of total outstanding debt for the last ten fiscal years.

For more detailed information on the District's long-term debt activity, refer to Note 8, Long-Term Liabilities, found on pages 101 through 115.

Capital Assets

The General Capital Improvements Fund is used to account for the purchase or construction of capital assets financed by transfers, capital grants, and debt. Capital assets include, but are not limited to: land, buildings, police and fire equipment, office equipment, park facilities, roads, and bridges. In fiscal year 2013, total net capital assets (capital assets less depreciation) increased by \$474,927, or 4.6%, over the prior year. Total overall capital assets has continued to increase because the District has been investing resources in the construction of new assets and the rehabilitation of existing infrastructure, such as roads, streets, and bridges.

At September 30, 2013, total net capital assets (capital assets less depreciation) was \$10,900,366. Net capital assets of the governmental activities totaled \$10,899,939 and the net capital assets of the business-type activities totaled \$427. The governmental activities depreciation charges for fiscal year 2013 totaled \$389,885 compared to the prior year's amount of \$385,230. **Table MDA-9** presents more detailed information on the District's net capital assets.

Table MDA-9 – Net Capital Assets as of September 30, 2013

Asset Category	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 928,318	\$ 936,234	\$ -	\$ -	\$ 928,318	\$ 936,234
Buildings	5,641,749	5,125,146	-	-	5,641,749	5,125,146
Infrastructure	2,925,863	2,731,450	-	-	2,925,863	2,731,450
Equipment	379,243	422,756	427	480	379,670	423,236
Construction in progress	1,024,766	1,209,373	-	-	1,024,766	1,209,373
Total net capital assets	\$ 10,899,939	\$ 10,424,959	\$ 427	\$ 480	\$ 10,900,366	\$ 10,425,439

Note: For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 93 through 97.

REPORTING THE DISTRICT'S BUDGET

Overview in Brief

D.C. Code § 47-392.01(c) (1) (A) requires the District to prepare a balanced budget each year. Consistent with D.C. Code §47-392.02, the Mayor is required to submit the budget to Council for review, approval, and submission to Congress. The District's budget is subject to revision and approval by Congress and the President of the United States. As the budget moves through the budgetary process, there may be changes in both amounts and purposes.

The Chief Financial Officer is responsible for forecasting revenue for the District government. Each February, the Chief Financial Officer issues the official revenue estimate that is used to develop the District's budget for the next fiscal year. This estimate is revised as the new fiscal year begins and is periodically reviewed and

adjusted at regular intervals throughout the fiscal year to reflect current economic trends and outlook, new legislative mandates, and other similar factors. As the revenue estimates are revised, the District's expenditure budget is also revised to be consistent with the updated revenue estimates.

General Fund Budgetary Highlights

The General Fund is the chief budgetary operating fund of the primary government. **Table MDA-10** presents a Schedule of Budgetary Basis Revenues and Expenditures for the General Fund for the fiscal year ended September 30, 2013.

Table MDA-10 – Schedule of General Fund Budgetary Basis Revenues and Expenditures

	Original Budget	Revised Budget	Actual	Variance (Actual to Revised)
Revenues and Other Sources:				
Taxes	\$ 5,605,495	\$ 5,954,300	\$ 5,920,692	\$ (33,608)
Licenses and permits	77,940	69,029	78,857	9,828
Fines and forfeits	178,522	165,122	145,509	(19,613)
Charges for services	63,223	68,026	75,416	7,390
Miscellaneous	115,900	106,070	166,268	60,198
Other sources	455,488	433,273	469,143	35,870
Bond proceeds	6,000	6,000	4,079	(1,921)
Fund balance released from restrictions	51,468	132,587	18,442	(114,145)
Interfund transfer from lottery and games	63,175	63,175	68,314	5,139
Interfund transfer - others	35,326	46,026	46,168	142
Total revenues and other sources	6,652,537	7,043,608	6,992,888	(50,720)
Expenditures and Other Uses:				
Governmental direction and support	602,430	587,627	570,726	16,901
Economic development and regulation	291,790	329,801	299,942	29,859
Public safety and justice	995,574	992,170	981,755	10,415
Public education	1,620,002	1,682,971	1,664,513	18,458
Human support services	1,643,872	1,698,469	1,675,504	22,965
Public works	569,939	576,926	550,524	26,402
Repay bonds and interest	467,424	463,279	459,628	3,651
Other expenditures and uses	457,201	493,322	469,403	23,919
Total expenditures and other uses	6,648,232	6,824,565	6,671,995	152,570
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budgetary Basis				
	\$ 4,305	\$ 219,043	\$ 320,893	\$ 101,850

Revenues and Other Sources

Actual General Fund revenues and other sources were \$50,720 less than the revised budget. As presented in **Table MDA-10**, this variance was primarily due to the use of excess revenues instead of fund balance to finance certain activities; and a shortfall in taxes.

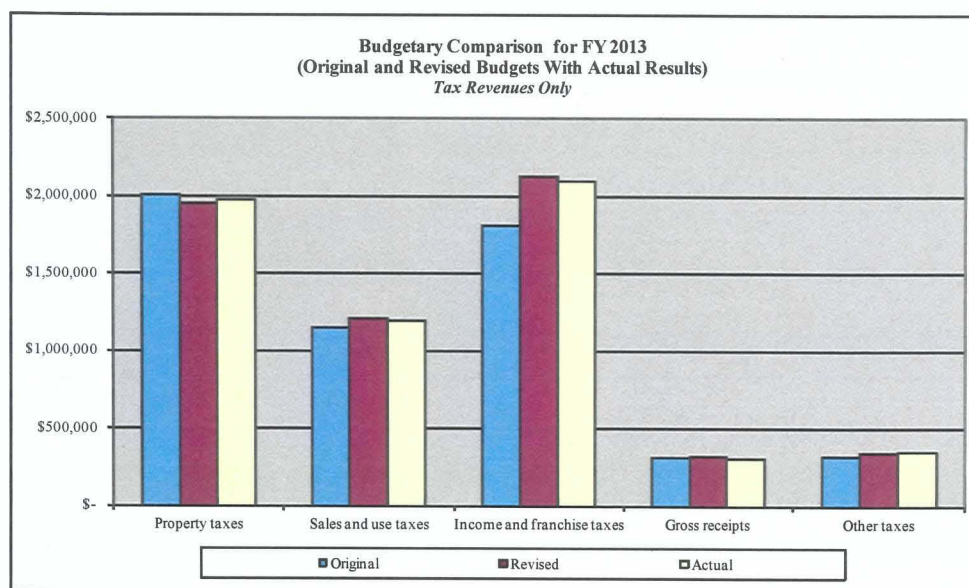
Fund Balance Released from Restrictions - Fund balance released from restrictions represents the portion of assets that were restricted for either a period of time or for a particular purpose for which the imposed conditions have been met, allowing the assets to become available for use. In other words, this amount of fund balance was used to finance current year's operations. As shown in **Table MDA-10**, actual fund balance released from restrictions was \$114,145 less than anticipated for fiscal year 2013.

Taxes – The shortfalls in taxes when compared to the revised budget were primarily in Income and Franchise Taxes and Sales and Use Taxes. Income and Franchise Taxes were \$35,190 less than the revised budget due to actual withholding collections being less than anticipated for fiscal year 2013. Sales and Use Taxes were \$12,915 less than the revised budget. Corporate franchise taxes declined as businesses began to be impacted by cutbacks in federal spending. In addition, businesses were adjusting to several tax law changes first introduced in 2011 (e.g., requirement for combined reporting and adjustments to minimum tax rates) which also contributed to declines in business franchise taxes. Shortfalls in the above-noted tax categories were partially offset by overages in property taxes, deed taxes and inheritance and estate taxes.

These shortfalls in revenues were offset by significant overages in miscellaneous revenues and other sources, which exceeded the revised budget by \$60,198 and \$35,870, respectively.

As presented in **Table MDA-10**, approximately 85% of the General Fund's revenues is derived from taxes. **Chart MDA-5** graphically presents differences between the General Fund's original budget, final revised budget and actual revenues (by type of tax) for fiscal year 2013.

Chart MDA-5 – Budgetary Comparison – FY 2013 Tax Revenues

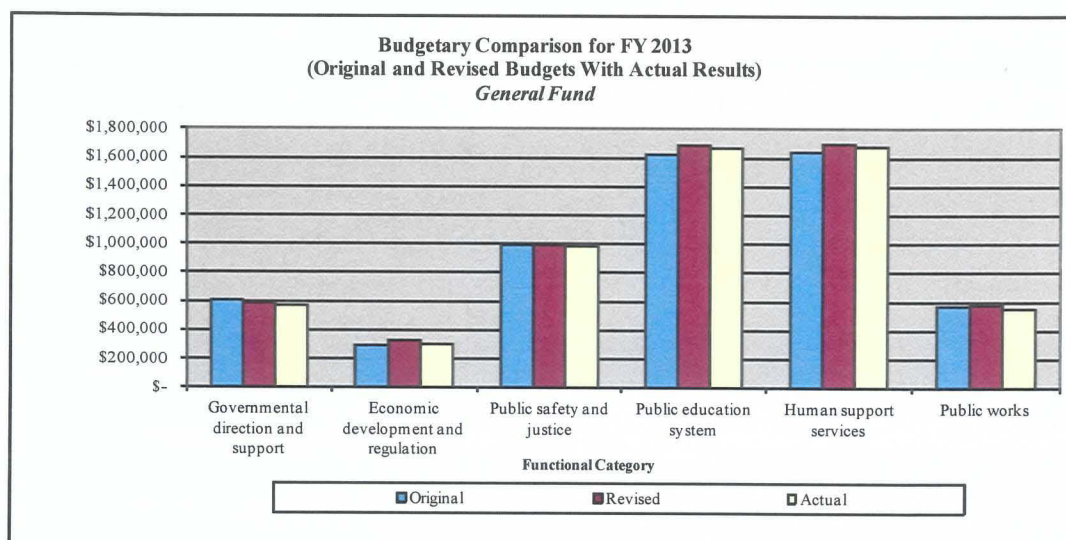


Expenditures and Other Uses

Actual General Fund expenditures and other uses were \$152,570 less than the revised budget. As presented in **Table MDA-10**, this variance was primarily due to underspending in the areas of Economic Development and Regulation, Human Support Services, and Public Works.

More than 64.8% of the General Fund's expenditures were in the areas of Human Support Services, Public Education, and Public Safety and Justice combined. **Chart MDA-6** graphically presents differences between the General Fund's original budget, revised budget, and actual expenditures (by functional category) for fiscal year 2013.

Chart MDA-6 – General Fund Expenditures (by Function)



For more detailed information, refer to the budgetary schedules for the General Fund, Exhibits A-4 to A-6 which are presented on pages 139 through 141.

SUBSEQUENT EVENTS**Short-Term Debt**

On November 7, 2013, the District issued \$405,000 in Tax Revenue Anticipation Notes (TRANs) as a means of financing, on a short-term basis, the District's general governmental expenses in anticipation of receiving or collecting revenues for fiscal year 2014. These fixed rate TRANs were issued at an interest rate of 2.00% and mature on September 30, 2014. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year of issuance.

General Obligation Bonds

On December 18, 2013, the District issued \$495,425 in General Obligation Bonds, Series 2013A, with interest rates ranging from 2.00% to 5.00%. The proceeds of the 2013A Bonds will be used to: (a) finance capital project expenditures; and (b) pay the costs and expenses of issuing and delivering the 2013A Bonds.

Income Tax Secured Revenue Refunding Bonds

On November 26, 2013, the District issued \$97,145 in Income Tax Secured Revenue Refunding Bonds, Series 2013A. The proceeds of these bonds will be used to: (a) currently refund \$96,545 of the District's Income Tax Secured Revenue Refunding Bonds (Series 2010E, Series 2011B, and Series 2011D), each maturing on December 1, 2013 and (b) pay the costs of issuing and delivering the 2013A Bonds. These bonds bear interest at a variable rate equal to an Adjusted SIFMA Rate.

These and other subsequent events are presented more fully in Note 16, found on pages 127 through 128.

CONTACTING THE DISTRICT'S OFFICE OF THE CHIEF FINANCIAL OFFICER

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

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

BASIC FINANCIAL STATEMENTS

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

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

Exhibit 1-a

District of Columbia
Statement of Net Position
September 30, 2013
(With Comparative Totals at September 30, 2012)
(\$000s)

	Primary Government				
	Governmental Activities	Business-Type Activities	Totals		Component Units
			2013	2012 as restated	
ASSETS					
Cash and cash equivalents (unrestricted)	\$ 1,279,409	\$ 8,856	\$ 1,288,265	\$ 989,418	\$ 76,096
Investments (unrestricted)	-	-	-	-	100,542
Due from federal government	508,636	10,210	518,846	526,821	-
Taxes receivable, net	384,120	-	384,120	423,309	-
Accounts receivable, net	154,501	17,542	172,043	194,531	20,275
Other receivables	-	-	-	-	93,191
Due from primary government	-	-	-	-	28,067
Due from component units	24,745	-	24,745	34,282	-
Due from fiduciary funds	388	-	388	2,213	-
Internal balances	35,456	(35,456)	-	-	-
Inventories	25,890	-	25,890	23,079	1,249
Other current assets	2,554	7	2,561	1,750	24,701
Cash and cash equivalents (restricted)	1,583,058	311,814	1,894,872	1,122,493	111,602
Investments (restricted)	98,624	10,200	108,824	404,636	317,663
Other long term assets	714,010	-	714,010	647,285	668,541
Depreciable capital assets, net	8,946,855	427	8,947,282	8,279,832	729,107
Non-depreciable capital assets	1,953,084	-	1,953,084	2,145,607	109,057
Total assets	15,711,330	323,600	16,034,930	14,795,236	2,280,091
DEFERRED OUTFLOW OF RESOURCES					
Derivative instrument	50,275	-	50,275	73,597	-
LIABILITIES					
Accounts payable	840,898	58,538	899,436	769,517	34,918
Compensation payable	205,171	838	206,009	182,449	17,518
Due to primary government	-	-	-	-	24,745
Due to component units	28,067	-	28,067	22,827	-
Due to fiduciary funds	-	-	-	35	-
Unearned revenues	661,756	136	661,892	659,133	16,024
Accrued liabilities	425,220	7,598	432,818	439,592	17,279
Accrued interest payable	115,522	-	115,522	116,638	-
Other current liabilities	42,566	-	42,566	10,030	84,616
Derivative instrument liabilities	50,262	-	50,262	73,048	-
Long-term liabilities:					
Due within one year	482,386	4,010	486,396	485,097	41,272
Due in more than one year	9,428,077	6,190	9,434,267	8,695,575	1,470,098
Total liabilities	12,279,925	77,310	12,357,235	11,453,941	1,706,470
NET POSITION					
Net investment in capital assets	2,849,043	427	2,849,470	2,872,752	440,323
Restricted for:					
Expendable					
Debt service	488,201	-	488,201	388,255	-
Benefit payments	-	241,952	241,952	229,930	-
Capital projects	102,434	-	102,434	-	-
Grants and special purposes	170,162	-	170,162	180,921	-
Budget reserves	30,759	-	30,759	29,874	-
Purpose restriction	117,621	-	117,621	99,072	-
Emergency reserves	339,490	-	339,490	339,103	-
Other	16,015	-	16,015	20,357	155,457
Nonexpendable	-	-	-	-	7,568
Unrestricted (deficit)	(632,045)	3,911	(628,134)	(745,352)	(29,727)
Total net position	\$ 3,481,680	\$ 246,290	\$ 3,727,970	\$ 3,414,912	\$ 573,621

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia
Statement of Activities
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for		Primary Government	Totals	Component Units
		Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities:						
Governmental direction and support	\$ 993,774	\$ 106,069	\$ 4,454	\$ (834,629)	\$ (870,131)	
Economic development and regulation	460,082	136,436	576	(256,293)	(145,088)	
Public safety and justice	1,497,016	107,276	-	(860,358)	(842,617)	
Public education system	2,224,946	2,731	-	(1,873,593)	(1,738,444)	
Human support services	4,086,722	7,893	41,210	(1,780,037)	(1,751,352)	
Public works	603,423	170,810	224,573	(181,907)	(122,105)	
Public transportation	284,851	-	-	(284,851)	(221,339)	
Interest on long-term debt	382,530	-	-	(382,530)	(397,216)	
Total governmental activities	10,533,344	531,215	270,813	(6,454,198)	(6,088,292)	
Business-type activities:						
Lottery and games	173,927	242,460	-	68,533	66,490	
Unemployment compensation	255,645	-	-	(222,855)	(316,968)	
Total business-type activities	429,572	242,460	-	(154,322)	(250,478)	
Total primary government	\$ 10,962,916	\$ 773,675	\$ 270,813	(6,454,198)	(6,338,770)	
Component units:						
Health benefit exchange	\$ 16,155	\$ -	\$ 27,744	-	\$ 27,744	
Convention center	229,078	26,505	-	-	(202,573)	
Not-for-profit hospital corporation	101,271	89,956	-	-	(11,315)	
Housing finance	65,937	5,004	-	-	(60,933)	
University	141,338	30,173	19,960	-	(67,928)	
Total component units	\$ 553,779	\$ 151,638	\$ 47,704	-	(315,005)	
General revenues:						
Taxes:						
Property taxes				2,012,788	1,945,071	-
Sales and use taxes				1,247,374	1,218,576	-
Income and franchise taxes				2,094,179	1,956,590	-
Gross receipts taxes				345,852	319,036	-
Other taxes				531,333	537,684	-
Investment earnings				13,794	30,461	45,557
Miscellaneous				676,258	693,146	31,992
Subsidy from primary government				-	-	190,513
Transfer in (out)				(68,314)	-	-
Total general revenues and transfers				6,921,578	6,700,564	268,062
Change in net position				313,058	361,794	(46,943)
Net position at October 1, as restated				3,414,912	3,053,118	620,564
Net position at September 30				\$ 3,727,970	\$ 3,414,912	\$ 573,621

The accompanying notes are an integral part of this statement.

Exhibit 2-a

District of Columbia
Balance Sheet
Governmental Funds
September 30, 2013
(With Comparative Totals at September 30, 2012)
(\$000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds	
						2013	2012
ASSETS							
Cash and cash equivalents (unrestricted)	\$ 1,279,409	\$ -	\$ -	\$ -	\$ -	\$ 1,279,409	\$ 981,411
Due from federal government	364	426,056	2,495	79,721	-	508,636	526,497
Taxes receivable, net	380,360	-	-	-	3,760	384,120	423,309
Accounts receivable, net	91,525	28,418	-	2,039	32,519	154,501	170,561
Due from component units	24,080	-	-	-	665	24,745	34,282
Due from other funds	231,527	35,111	4,420	-	20,700	291,758	238,674
Inventories	16,015	9,875	-	-	-	25,890	23,079
Other current assets	1,603	921	-	-	30	2,554	1,745
Cash and cash equivalents (restricted)	756,091	116,983	130,669	313,886	265,429	1,583,058	812,691
Investments (restricted)	85,322	-	2,147	-	11,155	98,624	388,255
Other long term assets	158,705	289,027	265,778	500	-	714,010	646,985
Total assets	3,025,001	906,391	405,509	396,146	334,258	5,067,305	4,247,489
LIABILITIES							
Accounts payable	491,317	119,574	-	219,920	10,087	840,898	703,299
Compensation payable	184,591	17,668	-	2,749	163	205,171	181,634
Due to other funds	26,445	153,460	-	59,212	16,797	255,914	202,378
Due to component units	10,183	12,188	-	5,696	-	28,067	22,827
Unearned revenue	80,396	309,947	265,778	5,635	-	661,756	604,741
Accrued liabilities	301,091	123,392	-	-	737	425,220	432,270
Other current liabilities	42,565	-	-	-	1	42,566	10,030
Total liabilities	1,136,588	736,229	265,778	293,212	27,785	2,459,592	2,157,179
DEFERRED INFLOW OF RESOURCES							
Unavailable revenues	139,485	-	-	500	1,136	141,121	158,416
FUND BALANCE							
Nonspendable	16,015	-	-	-	-	16,015	20,357
Restricted	976,071	170,162	139,731	102,434	305,337	1,693,735	1,397,919
Committed	659,567	-	-	-	-	659,567	595,008
Assigned	97,275	-	-	-	-	97,275	34,879
Unassigned	-	-	-	-	-	-	(116,269)
Total fund balances	1,748,928	170,162	139,731	102,434	305,337	2,466,592	1,931,894
Total liabilities, deferred inflow of resources and fund balances	\$ 3,025,001	\$ 906,391	\$ 405,509	\$ 396,146	\$ 334,258		\$ 4,247,489

Amounts reported for governmental activities in the statement of net position (Exhibit 1a) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

10,899,939

Certain long term assets are not available to pay current period expenditures and are therefore not recognized as revenues in the funds.

Tax revenue related

62,124

Other deferred inflow of resources

64,820

Adjustment for lease agreement - nursing home.

14,177

Net of deferred outflow of resources and derivative instrument liabilities.

13

Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:

General obligation bonds 2,245,185
Income tax revenue bonds 4,457,675
Tobacco settlement bonds 647,459
TIF bonds 108,782
Ballpark bonds 502,255
QZAB 6,682
Accrued interest payable 115,522
Capital leases 11,024
Other long-term liabilities 1,931,401

(10,025,985)

Net position of governmental activities

\$ 3,481,680

The accompanying notes are an integral part of this statement.

Exhibit 2-b

District of Columbia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds	
						2013	2012
REVENUES							
Taxes:							
Property taxes	\$ 2,012,511	\$ -	\$ -	\$ -	\$ 27,986	\$ 2,040,497	\$ 1,934,786
Sales and use taxes	1,194,460	-	-	-	52,914	1,247,374	1,218,576
Income and franchise taxes	2,094,179	-	-	-	-	2,094,179	1,956,590
Gross receipts taxes	305,732	-	-	-	40,120	345,852	319,036
Other taxes	353,754	-	46,554	-	-	400,308	404,066
Fines and forfeitures	178,708	-	-	-	-	178,708	185,771
Licenses and permits	105,081	-	-	-	-	105,081	99,300
Charges for services	243,073	4,309	-	44	-	247,426	252,332
Investment earnings	2,749	667	-	116	3,076	6,608	21,728
Miscellaneous	364,346	56,206	5,761	9,285	75,984	511,582	514,694
Federal contributions	-	555,038	-	-	-	555,038	554,979
Operating grants	-	2,722,080	-	270,813	-	2,992,893	2,896,470
Total revenues	6,854,593	3,338,300	52,315	280,258	200,080	10,725,546	10,358,328
EXPENDITURES							
Current:							
Governmental direction and support	748,634	41,198	-	-	20,971	810,803	787,331
Economic development and regulation	260,700	66,517	55,926	-	-	383,143	318,266
Public safety and justice	982,461	531,008	-	-	-	1,513,469	1,469,727
Public education system	1,681,634	402,979	-	-	-	2,084,613	1,980,384
Human support services	1,783,940	2,258,264	-	-	-	4,042,204	3,881,043
Public works	261,049	26,549	-	-	-	287,598	342,215
Public transportation	284,851	-	-	-	-	284,851	221,339
Debt service:							
Principal	193,504	-	-	4,140	56,668	254,312	217,645
Interest	320,135	20,181	-	4,844	64,860	410,020	375,461
Fiscal charges	8,160	-	-	203	277	8,640	15,447
Capital outlay	-	-	-	1,172,102	36,379	1,208,481	1,152,943
Total expenditures	6,525,068	3,346,696	55,926	1,181,289	179,155	11,288,134	10,761,801
Excess (deficiency) of revenues over (under) expenditures	329,525	(8,396)	(3,611)	(901,031)	20,925	(562,588)	(403,473)
OTHER FINANCING SOURCES (USES)							
Debt issuance	5,353	-	2,032	825,901	-	833,286	439,370
Refunding debt issuance	-	-	-	-	25,005	25,005	608,210
Premium on sale of bonds	-	-	-	150,624	4,057	154,681	124,679
Payment to refunded bond escrow agent	-	-	-	-	(28,929)	(28,929)	(679,843)
Equipment financing program	-	-	-	41,016	-	41,016	49,463
Transfers in	118,362	-	66,931	112,404	66,866	364,563	353,087
Transfers out	(214,446)	(2,363)	-	(10,511)	(68,929)	(296,249)	(286,683)
Sale of capital assets	3,613	-	-	300	-	3,913	450
Total other financing sources (uses)	(87,118)	(2,363)	68,963	1,119,734	(1,930)	1,097,286	608,733
Net change in fund balances	242,407	(10,759)	65,352	218,703	18,995	534,698	205,260
Fund balances at October 1,	1,506,521	180,921	74,379	(116,269)	286,342	1,931,894	1,726,634
Fund balances at September 30	\$ 1,748,928	\$ 170,162	\$ 139,731	\$ 102,434	\$ 305,337	\$ 2,466,592	\$ 1,931,894

The accompanying notes are an integral part of this statement.

Exhibit 2-c

District of Columbia
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2013
(\$000s)

Net change in fund balances - total governmental funds \$ 534,698

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays that are capitalized exceeded depreciation expense in the current period. 474,980

Deferred inflow of resources, including property tax revenues which were earned but whose current financial resources are not available for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements.

Tax revenue related	(27,709)
Other deferred inflow resources	64,820

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond proceeds exceeded repayments. (693,828)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount that other long term liabilities decreased in the current period. (51,226)

Capital assets leased to nursing home (113)

Payment of loan receivable from sale of capital assets in prior year (300)

Investment income from investment derivative instrument (537)

Change in net position of governmental activities \$ 300,785

The accompanying notes are an integral part of this statement.

Exhibit 2-d

District of Columbia
Budgetary Comparison Statement
For the Year Ended September 30, 2013
(\$000s)

	General Fund				Federal and Private Resources				Totals			
	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)
	Original	Revised			Original	Revised			Original	Revised		
Revenues and Sources:												
Taxes:												
Property taxes	\$ 2,008,841	\$ 1,952,097	\$ 1,975,102	\$ 23,005	-	-	-	-	\$ 2,008,841	\$ 1,952,097	\$ 1,975,102	\$ 23,005
Sales and use taxes	1,148,676	1,206,804	1,193,889	(12,915)	-	-	-	-	1,148,676	1,206,804	1,193,889	(12,915)
Income and franchise taxes	1,811,675	2,129,369	2,094,179	(35,190)	-	-	-	-	1,811,675	2,129,369	2,094,179	(35,190)
Other taxes	636,303	666,030	657,522	(8,508)	-	-	-	-	636,303	666,030	657,522	(8,508)
Total taxes	5,605,495	5,954,300	5,920,692	(33,608)	-	-	-	-	5,605,495	5,954,300	5,920,692	(33,608)
Licenses and permits	77,940	69,029	78,857	9,828	-	-	-	-	77,940	69,029	78,857	9,828
Fines and forfeits	178,522	165,122	145,509	(19,613)	-	-	-	-	178,522	165,122	145,509	(19,613)
Charges for services	63,223	68,026	75,416	7,390	-	-	-	-	63,223	68,026	75,416	7,390
Miscellaneous	115,900	106,070	166,268	60,198	-	-	-	-	115,900	106,070	166,268	60,198
Other sources	455,488	433,273	469,143	35,870	-	-	-	-	455,488	433,273	469,143	35,870
Bond proceeds	6,000	6,000	4,079	(1,921)	-	-	-	-	6,000	6,000	4,079	(1,921)
Federal contributions	-	-	-	-	97,020	79,997	59,138	(20,859)	97,020	79,997	59,138	(20,859)
Operating grant	-	-	-	-	2,625,681	2,745,689	2,585,365	(160,324)	2,625,681	2,745,689	2,585,365	(160,324)
Fund balance released from restrictions	51,468	132,587	18,442	(114,145)	-	-	8,529	8,529	51,468	141,116	26,971	(114,145)
Interfund transfer-from lottery and games	63,175	63,175	68,314	5,139	-	-	-	-	63,175	63,175	68,314	5,139
Interfund transfer-others	35,326	46,026	46,168	142	-	-	-	-	35,326	46,026	46,168	142
Total revenues and other sources	6,652,537	7,043,608	6,992,888	(50,720)	2,722,701	2,834,215	2,653,032	(181,183)	9,375,238	9,877,823	9,645,920	(231,903)
Expenditures and Other Uses:												
Governmental direction and support	602,430	587,627	570,726	16,901	29,556	31,490	26,962	4,528	631,986	619,117	597,688	21,429
Economic development and regulation	291,790	329,801	299,942	29,859	87,448	81,457	68,880	12,577	379,238	411,258	368,822	42,436
Public safety and justice	995,574	992,170	981,755	10,415	116,864	158,045	139,246	18,799	1,112,001	1,150,215	1,121,001	29,214
Public education system	1,620,002	1,504,068	1,485,610	18,458	308,107	330,666	278,082	52,584	1,928,109	1,834,734	1,763,692	71,042
Public education AY14 expenditure	-	178,903	178,903	-	-	-	-	-	-	178,903	178,903	-
Human support services	1,643,872	1,698,469	1,675,504	22,965	2,123,249	2,153,224	2,059,777	93,447	3,767,121	3,851,693	3,735,281	116,412
Public works	569,939	576,926	550,524	26,402	31,819	28,203	26,585	1,618	601,758	605,129	577,109	28,020
Presidential inauguration	-	11,286	8,899	2,387	-	-	-	-	-	11,286	8,899	2,387
Workforce investments	-	502	-	502	-	-	-	-	-	502	-	502
Wilson building	4,193	4,193	3,690	503	-	-	-	-	4,193	4,193	3,690	503
Repay bonds and interest	467,424	463,279	459,628	3,651	20,181	20,181	20,181	-	487,424	483,460	479,809	3,651
Repay revenue bonds and interest	8,222	6,665	6,665	-	-	-	-	-	8,222	6,665	6,665	-
Bond fiscal charges	6,000	6,000	4,420	1,580	-	-	-	-	6,000	6,000	4,420	1,580
Interest on short term borrowing	4,390	2,118	1,581	537	-	-	-	-	4,390	2,118	1,581	537
Certificates of participation	32,542	32,542	31,825	717	-	-	-	-	32,542	32,542	31,825	717
Settlements and judgments fund	21,477	20,977	15,590	5,387	-	-	-	-	21,477	20,977	15,590	5,387
Convention center transfer	106,729	107,041	107,041	-	-	-	-	-	106,729	107,041	107,041	-
Highway trust transfer	36,472	35,111	35,111	-	-	-	-	-	36,472	35,111	35,111	-
Emergency planning and security costs	-	-	-	-	23,408	28,699	16,229	12,470	23,408	28,699	16,229	12,470
Operating lease-equipment	50,036	50,036	49,953	83	-	-	-	-	50,036	50,036	49,953	83
Emergency and contingency reserve	750	144	-	144	2,250	2,250	-	2,250	3,000	2,394	-	2,394
Pay-go capital	35,803	88,202	88,202	-	-	-	-	-	35,803	88,202	88,202	-
Schools modernization fund	8,626	8,626	-	-	-	-	-	-	8,626	8,626	-	-
District retiree health contribution	107,800	107,800	107,800	-	-	-	-	-	107,800	107,800	107,800	-
Non-departmental agency	34,161	12,079	-	12,079	-	-	-	-	34,161	12,079	-	12,079
Total expenditures and other uses	6,648,232	6,824,563	6,671,995	152,570	2,722,701	2,834,215	2,635,942	198,273	9,370,933	9,658,780	9,307,937	350,843
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	\$ 4,305	\$ 219,043	\$ 320,893	\$ 101,850	\$ -	\$ -	\$ 17,090	\$ 17,090	\$ 4,305	\$ 219,043	\$ 337,983	\$ 118,940

The accompanying notes are an integral part of this statement.

Exhibit 3-a

District of Columbia
Statement of Net Position
Proprietary Funds
September 30, 2013
(With Comparative Totals at September 30, 2012)
(\$000s)

			Totals	
	Lottery and Games	Unemployment Compensation	2013	2012
ASSETS				
Current assets:				
Cash and cash equivalents (unrestricted)	\$ 8,856	\$ -	\$ 8,856	\$ 8,007
Due from federal government	-	10,210	10,210	324
Accounts receivable, net	6,619	10,923	17,542	23,970
Other current assets	7	-	7	5
Cash and cash equivalents (restricted)	-	311,814	311,814	309,802
Total current assets	<u>15,482</u>	<u>332,947</u>	<u>348,429</u>	<u>342,108</u>
Noncurrent assets:				
Investments (restricted)	10,200	-	10,200	16,381
Capital assets, net	427	-	427	480
Total noncurrent assets	<u>10,627</u>	<u>-</u>	<u>10,627</u>	<u>16,861</u>
Total assets	<u>26,109</u>	<u>332,947</u>	<u>359,056</u>	<u>358,969</u>
LIABILITIES				
Current liabilities				
Accounts payable	2,999	55,539	58,538	66,218
Accrued compensated absences	838	-	838	815
Due to other funds	-	35,456	35,456	34,117
Accrued liabilities	7,598	-	7,598	7,322
Long term liabilities due within one year	4,010	-	4,010	7,306
Total current liabilities	<u>15,445</u>	<u>90,995</u>	<u>106,440</u>	<u>115,778</u>
Noncurrent liabilities				
Long term liabilities due in more than one year	6,190	-	6,190	9,075
Total noncurrent liabilities	<u>6,190</u>	<u>-</u>	<u>6,190</u>	<u>9,075</u>
Total liabilities	<u>21,635</u>	<u>90,995</u>	<u>112,630</u>	<u>124,853</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	<u>136</u>	<u>-</u>	<u>136</u>	<u>99</u>
NET POSITION				
Invested in capital assets	427	-	427	480
Restricted - expendable	-	241,952	241,952	229,930
Unrestricted	<u>3,911</u>	<u>-</u>	<u>3,911</u>	<u>3,607</u>
Total net position	<u>\$ 4,338</u>	<u>\$ 241,952</u>	<u>\$ 246,290</u>	<u>\$ 234,017</u>

The accompanying notes are an integral part of this statement.

Exhibit 3-b

District of Columbia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

	Lottery and Games	Unemployment Compensation	Totals	
			2013	2012
Operating revenues:				
Employer taxes	\$ -	\$ 131,025	\$ 131,025	\$ 133,618
Charges for services	242,460	-	242,460	249,675
Benefit contributions	-	32,790	32,790	27,945
Miscellaneous	-	-	-	289
Total operating revenues	242,460	163,815	406,275	411,527
Operating expenses:				
Benefits	-	255,645	255,645	344,913
Prizes and other expenses	139,934	-	139,934	159,460
Personnel services	6,657	-	6,657	11,765
Contractual services	27,130	-	27,130	11,764
Depreciation	206	-	206	196
Total operating expenses	173,927	255,645	429,572	528,098
Operating income (loss)	68,533	(91,830)	(23,297)	(116,571)
Nonoperating revenues:				
Interest and investment revenue	32	7,691	7,723	8,517
Federal contribution	-	96,161	96,161	178,267
Total nonoperating revenues	32	103,852	103,884	186,784
Income before transfers	68,565	12,022	80,587	70,213
Transfer out	(68,314)	-	(68,314)	(66,404)
Change in net position	251	12,022	12,273	3,809
Net position at October 1	4,087	229,930	234,017	230,208
Net position at September 30	\$ 4,338	\$ 241,952	\$ 246,290	\$ 234,017

The accompanying notes are an integral part of this statement.

Exhibit 3-c

District of Columbia
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

	Lottery and Games	Unemployment Compensation	Totals	
			2013	2012
Cash flows from operating activities:				
Cash receipts from customers/employers	\$ 242,129	\$ 160,694	\$ 402,823	\$ 409,746
Other cash receipts	30	-	30	43
Cash payments to vendors	(21,731)	-	(21,731)	(21,406)
Cash payments to employees/claimants	(6,634)	(262,534)	(269,168)	(362,544)
Other cash payments, including prizes	(144,510)	-	(144,510)	(155,669)
Net cash provided by (used in) operating activities	<u>69,284</u>	<u>(101,840)</u>	<u>(32,556)</u>	<u>(129,830)</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	96,161	96,161	182,552
Interfund transfers out	(68,314)	-	(68,314)	(66,404)
Net cash provided by (used in) noncapital financing activities	<u>(68,314)</u>	<u>96,161</u>	<u>27,847</u>	<u>116,148</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(153)	-	(153)	(198)
Net cash used in capital and related financing activities	<u>(153)</u>	<u>-</u>	<u>(153)</u>	<u>(198)</u>
Cash flows from investing activities:				
Receipts of interest and dividends	32	7,691	7,723	8,517
Net cash provided by investing activities	<u>32</u>	<u>7,691</u>	<u>7,723</u>	<u>8,517</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	849	2,012	2,861	(5,363)
Cash and cash equivalents at October 1	<u>8,007</u>	<u>309,802</u>	<u>317,809</u>	<u>323,172</u>
Cash and cash equivalents at September 30	<u>\$ 8,856</u>	<u>\$ 311,814</u>	<u>\$ 320,670</u>	<u>\$ 317,809</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 68,533	\$ (91,830)	\$ (23,297)	\$ (116,571)
Depreciation	206	-	206	196
Decrease (increase) in assets:				
Accounts receivable	(337)	6,765	6,428	(1,514)
Other current assets	(2)	(9,886)	(9,888)	178
Increase (decrease) in liabilities:				
Accounts payable	548	(6,889)	(6,341)	(9,917)
Accrued liabilities	513	-	513	(1,952)
Deferred inflows of resources	37	-	37	(109)
Other current liabilities	(214)	-	(214)	(141)
Net cash provided by (used in) operating activities:	<u>\$ 69,284</u>	<u>\$ (101,840)</u>	<u>\$ (32,556)</u>	<u>\$ (129,830)</u>

The accompanying notes are an integral part of this statement.

Exhibit 4-a

District of Columbia
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013
(\$000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents - restricted	\$ 247,921	\$ -	\$ 42,095
Investments - restricted:			
Equities	3,919,810	197,089	-
Fixed income securities	1,617,778	88,183	-
Real estate	356,125	-	-
Private equity	654,901	-	-
Collateral for securities lending transactions	83,478	-	-
Accounts receivable	-	263	-
Due from federal government	1,170	-	-
Benefit contributions receivable	3,580	-	-
Other receivables	-	-	26,634
Other current assets	99,476	-	-
Total assets	<u>6,984,239</u>	<u>285,535</u>	<u>\$ 68,729</u>
LIABILITIES			
Accounts payable	65,251	278	\$ 1,024
Securities lending collateral	84,142	-	-
Due to other funds	388	-	-
Other current liabilities	145,811	-	67,705
Total liabilities	<u>295,592</u>	<u>278</u>	<u>\$ 68,729</u>
NET POSITION			
Held in trust for pension and OPEB benefits and other purposes	<u>\$ 6,688,647</u>	<u>\$ 285,257</u>	

The accompanying notes are an integral part of this statement.

Exhibit 4-b

District of Columbia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2013
(\$000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 210,521	\$ -
Plan members	58,999	45,170
Total contributions	<u>269,520</u>	<u>45,170</u>
Investment earnings:		
From investment activities		
Net increase in fair value of investments	639,127	31,915
Other revenue	2,843	-
Interest and dividends	64,124	4,313
Total investment gain	<u>706,094</u>	<u>36,228</u>
Less - investment expenses	<u>(11,157)</u>	<u>(2,465)</u>
Net gain from investing activities	<u>694,937</u>	<u>33,763</u>
From securities lending activities		
Securities lending income	701	-
Less: securities lending expenses	<u>(196)</u>	<u>-</u>
Net income from securities lending activities	<u>505</u>	<u>-</u>
Net investment gain	<u>695,442</u>	<u>33,763</u>
Total additions	<u>964,962</u>	<u>78,933</u>
DEDUCTIONS		
Benefits	142,247	-
Administrative expenses	12,752	648
Distributions to participants	<u>-</u>	<u>16,593</u>
Total deductions	<u>154,999</u>	<u>17,241</u>
Change in net position	809,963	61,692
Net position at October 1	<u>5,878,684</u>	<u>223,565</u>
Net position at September 30	<u>\$ 6,688,647</u>	<u>\$ 285,257</u>

The accompanying notes are an integral part of this statement.

Exhibit 5-a

District of Columbia
Discretely Presented Component Units
Combining Statement of Net Position
September 30, 2013
(With Comparative Totals at September 30, 2012)
(\$000s)

	Health Benefit Exchange	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals	
						2013	2012 as restated
ASSETS							
Current assets:							
Cash and cash equivalents (unrestricted)	\$ -	\$ 12,506	\$ 5,082	\$ 29,858	\$ 28,650	\$ 76,096	\$ 64,894
Investments (unrestricted)	-	66,649	-	3,361	30,532	100,542	96,083
Receivables, net:							
Accounts	-	2,335	13,238	-	4,702	20,275	20,873
Other	-	72,008	-	16,295	4,888	93,191	22,363
Due from primary government	10,915	8,224	-	-	8,928	28,067	19,672
Inventories	-	-	1,249	-	-	1,249	1,520
Other current assets	-	324	627	23,394	356	24,701	24,988
Restricted cash	-	7,600	1,687	101,582	733	111,602	112,485
Restricted investments	-	147,073	-	163,348	7,242	317,663	579,593
Total current assets	10,915	316,719	21,883	337,838	86,031	773,386	942,471
Noncurrent assets:							
Loans receivable	-	-	-	656,822	800	657,622	652,720
Other	-	9,039	341	127	1,412	10,919	11,373
Total long term assets	-	9,039	341	656,949	2,212	668,541	664,093
Capital assets, net							
Property and equipment	-	569,434	44,646	1,878	113,149	729,107	740,118
Non-depreciable capital assets	27,744	47,535	8,873	573	24,332	109,057	79,346
Total assets	38,659	942,727	75,743	997,238	225,724	2,280,091	2,426,028
LIABILITIES							
Current liabilities:							
Payables:							
Accounts	6,401	6,394	7,987	2,656	11,480	34,918	32,178
Compensation	-	665	5,170	268	11,415	17,518	13,907
Due to primary government	4,272	1,886	-	-	18,587	24,745	32,618
Accrued liabilities	242	17,037	-	-	-	17,279	21,282
Unearned revenue	-	3,442	-	-	12,582	16,024	16,357
Current maturities	-	15,625	628	25,019	-	41,272	40,423
Other current liabilities	-	11,849	460	63,730	8,577	84,616	124,654
Total current liabilities	10,915	56,898	14,245	91,673	62,641	236,372	281,419
Noncurrent liabilities:							
Long term debt:							
Bonds payable	-	629,474	-	816,578	-	1,446,052	1,491,759
Other long-term liabilities	-	12,601	9,380	-	-	21,981	30,042
Refundable advances	-	1,081	-	-	984	2,065	2,244
Total long term liabilities	-	643,156	9,380	816,578	984	1,470,098	1,524,045
Total liabilities	10,915	700,054	23,625	908,251	63,625	1,706,470	1,805,464
NET POSITION							
Net investment in capital assets	27,744	221,110	52,327	1,661	137,481	440,323	379,341
Restricted - expendable	-	112,162	-	43,108	187	155,457	212,657
Restricted - nonexpendable	-	-	-	-	7,568	7,568	7,568
Unrestricted	-	(90,599)	(209)	44,218	16,863	(29,727)	20,998
Total net position	\$ 27,744	\$ 242,673	\$ 52,118	\$ 88,987	\$ 162,099	\$ 573,621	\$ 620,564

The accompanying notes are an integral part of this statement.

Exhibit 5-b

District of Columbia
 Discretely Presented Component Units
 Combining Statement of Activities
 For the Year Ended September 30, 2013
 (With Comparative Totals for the Year Ended September 30, 2012)
 (\$000s)

	Health Benefit Exchange Authority	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals 2013 as restated	2012
Expenses	\$ 16,155	\$ 229,078	\$ 101,271	\$ 65,937	\$ 141,338	\$ 553,779	\$ 458,521
Program revenues:							
Charges for services, fees, fines & forfeits	-	26,505	89,956	5,004	30,173	151,638	151,087
Operating grants and contributions	16,155	-	-	-	23,277	39,432	26,061
Capital grants and contributions	27,744	-	-	-	19,960	47,704	26,036
Net (expense) revenue	<u>27,744</u>	<u>(202,573)</u>	<u>(11,315)</u>	<u>(60,933)</u>	<u>(67,928)</u>	<u>(315,005)</u>	<u>(255,337)</u>
General revenues:							
Investment earnings	-	614	(360)	42,588	2,715	45,557	53,829
Miscellaneous	-	3,085	1,103	14,123	13,681	31,992	30,206
Subsidy from primary government	-	104,108	11,000	-	75,405	190,513	182,088
Total general revenues	<u>-</u>	<u>107,807</u>	<u>11,743</u>	<u>56,711</u>	<u>91,801</u>	<u>268,062</u>	<u>266,123</u>
Change in net position	<u>27,744</u>	<u>(94,766)</u>	<u>428</u>	<u>(4,222)</u>	<u>23,873</u>	<u>(46,943)</u>	<u>10,786</u>
Net position at October 1 (as restated)	<u>-</u>	<u>337,439</u>	<u>51,690</u>	<u>93,209</u>	<u>138,226</u>	<u>620,564</u>	<u>609,778</u>
Net position at September 30	<u>\$ 27,744</u>	<u>\$ 242,673</u>	<u>\$ 52,118</u>	<u>\$ 88,987</u>	<u>\$ 162,099</u>	<u>\$ 573,621</u>	<u>\$ 620,564</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2013

(Dollar amounts expressed in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT

General Operations

The District of Columbia (the District) was created on March 30, 1791, from territory ceded by Maryland and Virginia. Article 1, section 8, clause 17 of the United States Constitution empowered Congress to establish the seat of government for the United States. Pursuant to the cited Constitutional provisions, the District was established as the nation's capital on December 1, 1800.

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. Pursuant to its charter, the District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a Budget Request Act, becomes law unless Congress and the President of the United States disapprove it after it has been adopted. Citizens residing in the District have the right to vote for the President and Vice-President of the United States but not for members of Congress. The District does, however, have an elected non-voting Delegate to the United States House of Representatives.

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

B. FINANCIAL REPORTING ENTITY

Component Units

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

- The organization is a legally separate entity.
- The District appoints a voting majority of the organization's board.
- There is a financial benefit/burden relationship between the District and the organization or the District is able to impose its will on the organization.

Organizations meeting the above criteria are included in the District's financial reporting entity as discretely presented component units. Entities which meet any one of the following in addition to the above criteria are considered to be blended component units of the District:

- The organization's governing body is substantively the same as the District's governing body and (1) there is a financial benefit or burden relationship between the District and the organization, or (2) management of the District has operational responsibility for the organization.
- The organization provides services entirely, or almost entirely, to the District, or otherwise exclusively, or almost exclusively, benefits the District even though it does not provide services directly to it.
- The organization's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with District resources.

Legally separate organizations that do not otherwise meet the criteria for inclusion as a component unit may be included in the financial reporting entity if it is determined that their exclusion would render the financial statements misleading. This determination is based on the nature and significance of the organization's relationship with the District.

Based on the application of the criteria outlined above, the District includes five discretely presented component units in its reporting entity: Health Benefit Exchange Authority, Housing Finance Agency, Not-for-Profit Hospital Corporation (d/b/a United Medical Center), University of the District of Columbia, and Washington Convention and Sports Authority. Each of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

these organizations is a legally separate entity with a governing board that is appointed by the Mayor, with the advice and consent of the Council. In addition, with respect to each of these entities, one or both of the following conditions exists: (a) there is a financial benefit or burden relationship between the District and the organization or (b) the District is able to impose its will on the organization. Each entity's relationship with the District is discussed briefly below:

- **Health Benefit Exchange Authority** - The District has the ability to impose its will on the Health Benefit Exchange Authority because the District is able to approve or modify the entity's budgets and may overrule, veto, or modify certain decisions made by the Authority's governing board (e.g., the awarding of contracts valued at \$1 million or more.) In addition, the Council must approve or disapprove the rules adopted by the Authority; therefore, the District has the ability to modify or approve the rates or fees charged by the Authority.
- **Housing Finance Agency** - The District is able to impose its will on the Housing Finance Agency because the Council has the ability to modify the financing for Housing Finance Agency projects and, consequently, has the ability to affect the Agency's budget. In addition, the District has the authority to approve or modify rental rates and may overrule certain decisions made by the Agency's Board (e.g., contracts valued at \$1 million or more.)
- **Not-For-Profit Hospital Corporation** - There is a financial benefit/burden relationship between the District and the Corporation because the District has assumed the obligation to provide financial support to the Corporation to help sustain the hospital's operations. In addition, the District is able to impose its will on the Corporation because the District has the ability to modify or approve the Corporation's budget.
- **University of the District of Columbia** - A financial benefit/burden relationship exists between the University and the District because the District provides financial support to the University in the form of subsidy payments. In addition, the District is able to impose its will on the University because the District has the ability to approve and/or modify the University's budget.

- **Washington Convention and Sports Authority** - There is a financial benefit/burden relationship between the Washington Convention and Sports Authority and the District because the District is legally obligated or has otherwise assumed the obligation to provide financial support to the Washington Convention and Sports Authority through the transfer of certain dedicated taxes which are linked directly to the hospitality sector. In addition, the District is able to impose its will on the Washington Convention and Sports Authority because the District has the ability to modify or approve the Washington Convention and Sports Authority's budget and the rates or fees charged by that entity.

The financial data for these organizations is presented in a separate column in the government-wide financial statements to emphasize that these entities are legally separate from the District.

Information regarding the financial statements of each discretely presented component unit may be obtained from the following locations:

Health Benefit Exchange Authority
Executive Director
1100 15th Street, N.W., 8th Floor
Washington, D.C. 20005

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

Not-For-Profit Hospital Corporation
d/b/a United Medical Center
Chief Executive Officer
1310 Southern Avenue, S.E.
Washington, D.C. 20032

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District of Columbia Tobacco Settlement Financing Corporation (the Tobacco Corporation) was created by the Tobacco Settlement Financing Act of 2000 as a special purpose, independent instrumentality of the District government. The Tobacco Corporation is legally separate from the District, was established to purchase all of the District's rights, title, and interest in the Master Settlement Agreement executed by participating cigarette manufacturers, states and other jurisdictions. The Tobacco Corporation issued bonds in FY 2001 to finance the purchase of the District's securitized right, title and interest in the tobacco settlement revenues.

The Tobacco Corporation is a blended component unit because: (a) the District appoints the Tobacco Corporation's Board; (b) the District is legally entitled to and can otherwise access the Tobacco Corporation's resources, thereby establishing a benefit/burden relationship; (c) the District has the ability to modify or approve the Tobacco Corporation's budget, thereby, giving the District the ability to impose its will on the Tobacco Corporation and (d) the Tobacco Corporation provides services entirely to the District.

Separate audited financial statements for the Tobacco Corporation are available at the Office of the Chief Financial Officer, Office of Finance and Treasury, 1101 4th Street, S.W., Suite 800, Washington, D.C. 20024.

Related Organizations

A related organization is an entity for which the District is accountable because the District appoints a voting majority of its governing board; however, the District is not *financially* accountable for the organization. The District reports two entities as related organizations: the District of Columbia Housing Authority (Housing Authority) and the District of Columbia Water and Sewer Authority (WASA) because the Mayor, with the consent and advice of the Council, appoints a majority of the voting members of these organizations' governing boards. However, the District's accountability for these organizations does not extend beyond these appointments.

Prior to fiscal year 2013, WASA was reported as a discretely presented component unit of the District because WASA was responsible for certain debt issued by the District. Before WASA's establishment as an independent entity in 1996, the District issued general obligation bonds to fund improvements to the water and wastewater system. Although WASA was not directly liable for the general obligation bonds, its enabling legislation required WASA to transfer to the District the funds necessary to pay a portion of the debt service on

the general obligation bonds. Consistent with the agreement executed by WASA and the District, WASA transferred funds to the District annually for debt service payments. In fiscal year 2012, WASA made its final debt service payment on these bonds and the associated debt was retired. Consequently, a financial benefit/burden relationship no longer exists between the District and WASA. As a result, in fiscal year 2013 WASA is considered a related organization rather than a discretely presented component unit of the District.

Historically, D.C. Courts has been disclosed as a related organization. However, it has been determined that D.C. Courts does not meet the related organization criteria. The District does not appoint any of the members of the Joint Committee on Judicial Administration (the body responsible for the administration of the D.C. Court System). In addition, financial and administrative responsibility for the D.C. Courts transitioned to the federal government in the late 1990s. For these reasons, the District is not accountable for D.C. Courts and D.C. Courts is not a related organization for financial reporting purposes.

Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. *Joint control* means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

The District participates with other local jurisdictions in a joint venture to plan, construct, finance and operate a public transit system serving the Metropolitan Washington Area Transit zone, which includes the District 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 to fulfill the purposes of the joint venture.

Pursuant to P.L. 111-62, which revised the WMATA compact agreement, WMATA is governed by an eight-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

member Board and eight alternates, comprised of two Directors and two alternates for Maryland, Virginia, the District of Columbia, and the federal government. The Directors and alternates for Maryland are appointed by the Washington Suburban Transit Commission from among its members; for Virginia, by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the Council from its members and mayoral nominees; and for the federal government, by the Administrator for General Services. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial activities of the joint venture in its financial statements. Further information regarding this joint venture is discussed in Note 12 on page 123.

C. 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. Because 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, these funds are not incorporated into the government-wide financial 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 financial statements are comprised of the following:

- **Statement of Net Position** – The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District's governmental and business-type activities and its discretely presented component units. The District reports all debts and capital assets, including infrastructure, in the government-wide Statement of Net Position. The District reports net position in three distinct categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.
- **Statement of Activities** – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures; charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function

or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 segregate transactions related to certain District functions or activities. Each fund represents a separate accounting entity and the transactions in each fund are summarized in a separate set of self-balancing accounts which include assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenses/expenditures.

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

Governmental funds are used to account for all of the District's general activities. The acquisition, use and balance of the District's expendable financial resources and the related liabilities and deferred inflow of resources (except those accounted for in the proprietary funds and the discretely presented component units) are accounted for in the governmental funds.

The District reports the following major governmental funds:

- **General Fund** - 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 grants and private contributions that are legally restricted to expenditure for specified purposes.
- **Housing Production Trust Fund** – used to account for the financial resources which provide financial assistance to a variety of affordable housing programs and opportunities across the District such as: (a) fund initiatives to build affordable housing; (b) provide homeownership opportunities for low income families; and (c) preserve existing federally assisted housing. The Housing Production Trust Fund is administered by the Department of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Housing and Community Development.

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

Nonmajor Governmental Funds include four Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) PILOT Special Revenue Fund; and (4) Baseball Project Fund. Other Nonmajor Governmental Funds include the Highway Trust Fund, and the Baseball Debt Service Fund.

Proprietary Funds are used to account for activities similar to those found in the private sector. The criteria for inclusion as a proprietary fund include: (a) the costs (including depreciation) of providing goods or services primarily or solely to the public on a continuing basis are financed or recovered mostly through user charges; and (b) the determination of net income is necessary or useful for sound financial administration. The District's proprietary funds include two major proprietary 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 federal government on a reimbursable basis. The administrative costs of the program are accounted for in the General Fund.

Unemployment Insurance in general is a federal-state program that provides temporary benefits to workers who become unemployed through no fault of their own, and who are able and available for work. The benefits paid to unemployed workers reduce the hardship of unemployment, help maintain purchasing power of the unemployed, thereby supporting the local economy, and help to stabilize the workforce so that local workers are available to

employers when they are ready to re-employ. The cost of the unemployment insurance program is financed by employers who pay state and federal taxes on part of the wages paid to each employee in a calendar year.

The Emergency Unemployment Compensation (EUC) program is a 100% federally funded program that provides benefits to individuals who have exhausted regular state benefits. The EUC program was created on June 30, 2008 and has been modified several times. The American Taxpayer Relief Act of 2012 (P.L. 112-240) extended the expiration date of the EUC program to January 1, 2014. The extended benefit payments beyond the 26 weeks base period have to be authorized by the Federal Government. When this happens, the states, including the District of Columbia, are reimbursed by the Federal Government to cover the extended benefits.

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

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

Other Postemployment Benefits (OPEB) Trust Fund - used to report assets that are accumulated and benefits that are paid for postemployment healthcare and life insurance.

- *Private Purpose Trust Fund* - 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 uses this fund to account for amounts held in its 529 College Savings Investment Plan, which was established to help families save for college education expenses of designated beneficiaries while also receiving certain tax benefits.
- *Agency Funds* - used to report those resources which are held by the District in a purely custodial capacity 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient details to constitute a presentation in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2012, from which such summarized information was derived.

D. MEASUREMENT FOCUS AND 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 the Governmental Accounting Standards Board (GASB).

Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Therefore, the Statement of Net Position reports all assets, including receivables regardless of when collected, and capital assets, such as heavy trucks and infrastructure (i.e., highways and bridges), deferred outflows of resources, all liabilities regardless of when payment is due, deferred inflows of resources, and net position.

The Statement of Activities is designed to present the degree to which the direct expenses of a particular function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for goods or services, grant revenues, and fines. Tax revenues are reported separately as general revenues. The Statement of Activities reports: (a) expenses associated with governmental activities; (b) expenses associated with business-type activities; and (c) the expenses of component units. The expenses of the governmental activities include governmental fund expenditures that are not eliminated or reclassified and current year depreciation on capital assets. The effect of interfund activity is eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental Funds

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets, deferred outflow of resources, current liabilities, deferred inflow of resources, and fund balance are reported on the balance sheet.

Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year they become susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. Property taxes are considered to be available if they are collected within 60 days of the fiscal year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues, with the exception of expenditure-driven grants, which are recognized when all eligibility criteria and compliance requirements have been met and the related amounts are earned.

Service payment expenditures and liabilities such as debt service, compensated absences, claims and judgments, and special termination benefits are recorded in the governmental fund statements only when they mature or become due for payment within the period. Otherwise, such activity is reported in the government-wide financial statements as incurred.

Proprietary Funds, Pension and OPEB Trust Funds, and Component Units

The proprietary funds, pension and OPEB trust funds, private purpose trust fund, and discretely presented component units are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. Net position of the proprietary funds is segregated into net investment in capital assets, restricted, and unrestricted components. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred. The related operating statements of proprietary funds present increases

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(revenues) and decreases (expenses) in net position. Operating statements of pension and private purpose trust funds present additions and deductions in fiduciary net position.

Proprietary funds classify revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

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

Expenditures for benefits and refunds are recognized when due and payable. The Private Purpose Trust Fund recognizes additions to net position when participants' contributions are received.

Revenue Recognition (by Type or Source)

Property Taxes

Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available.

Real property taxes are levied as of October 1 on property values 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 enforceable liens on property as of October 1 of the year after levy.

In the District, the personal property tax is self-assessed. Each year, on or before July 31, property owners must file a personal property tax return covering the tax year beginning July 1 and ending June 30 of the next year. The return should report the remaining cost of all tangible personal property as of July 1 that is taxable in the District of Columbia. Property taxes are levied after the returns are filed. If a taxpayer fails to pay the levied taxes when due, the District would have a legal claim to the taxpayer's property. Pursuant to the Clarification of Personal Property Tax Revenue Reporting Act of 2011, the revenue budget for Personal Property Tax is formulated with the understanding that 100% of collections are to be allocated for the year in which the tax was levied.

Other Taxes and Revenues

Sales and use taxes are recognized as revenue when the sales or uses take place. Interest on investments is recognized when earned. Charges for services are recorded as revenues when services are provided.

Intergovernmental Revenues

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

Supplemental Nutrition Assistance Program (SNAP)

The District participates in the federal government's Supplemental Nutrition Assistance Program (SNAP) (food stamp program), which is designed to increase the food purchasing power of economically disadvantaged residents. The District uses the electronic benefits transfer (EBT) system that allows program beneficiaries to charge their qualifying food purchases, thereby eliminating the need for paper stamps. Revenues and expenditures are reported in the federal and private resources fund when the underlying transaction (the food purchase) occurs. SNAP expenditures totaled \$235,567 and \$234,768 in fiscal years 2013 and 2012, respectively.

Revenues Susceptible To Accrual

Revenues which are susceptible to accrual include: taxes, federal contributions and grants, charges for services, and investment income.

Revenues Not Susceptible To Accrual

Licenses, permits, fines, and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received. However, fines that remain unpaid after the allowable grace period or after appeals are denied become susceptible to accrual.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES

Process

On or about March 20 of each year, at the direction of the Council, the Mayor submits to the Council an annual budget for the District of Columbia government, which includes: (1) the budget for the forthcoming fiscal year, commencing October 1, specifying the agencies and purposes for which funds are being requested; (2) an annual budget message; (3) a multi-year plan for all agencies of the District government; and (4) a multi-year capital improvement plan by project for all agencies of the District government. 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. On or about June 1 of each year, after receipt of the budget proposal from the Mayor, and after the public hearings, the Council adopts the annual budget for the District of Columbia government. The Mayor submits the budget to the President of the United States for transmission by him to the Congress. After public hearings, the Congress enacts the budget through an appropriations act.

Appropriations Act

The Congressional Appropriations Act authorizes District government expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education. In general, after enactment of the annual Appropriations Act by Congress, the District may transmit amendments or supplements to the budget by submitting a request for supplemental appropriation to the President and Congress. However, within certain limits, pursuant to D.C. Code §47-369.02, the District may supplement its General Fund budget simply by sending notification to Congress 30 days in advance of the changes taking place.

Pursuant to Home Rule Act § 446 and the Reprogramming Policy Act (D. C. Official Code §47-363 (2001), as amended), the District may reallocate budget amounts. The appropriated budget amounts in the Budgetary Comparison Statement (Exhibit 2-d) include all approved reallocations and other budget changes. This statement reflects budget to actual comparisons at the function (or appropriation title) level as well as by agency. Actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown in this statement. A negative expenditure variance in the budgetary

comparison statement for a particular function is a violation of the federal Anti-Deficiency Act (31 U.S.C. §§1341, 1342, 1349, 1351, 1511-1519 (2008)); the District of Columbia Anti-Deficiency Act (D.C. Official Code §§47-355.01-355.08, (2001)); and Section 446 of the Home Rule Act, (D.C. Official Code § 1-204.46). In addition, a negative expenditure variance for a particular agency within an appropriation title is also a violation of the D.C. Anti-Deficiency Act.

The Appropriations Act specifically identifies 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, for budgeting purposes, the general fund includes the federal and private resources fund as presented in the Budgetary Comparison Statement in Exhibit 2-d. The budgetary basis of accounting used to prepare this statement differs from the GAAP basis used to prepare the general fund and federal and private resources fund statements presented in Exhibit 2-b due to the following differences:

- *Basis Differences* – which arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1X on page 77.
- *Entity Differences* – which 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 1X on page 77.

Budgetary Controls

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by Congress and the President. The level of budgetary control (i.e., the level at which expenditures and other obligations cannot legally exceed the appropriated amount) is established by function, fund, and agency within the general fund.

Encumbrances

Encumbrance accounting is used in the governmental funds. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the required portion of an appropriation. Encumbrances outstanding at year-end do not constitute expenditures

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

or liabilities for GAAP or budgetary purposes. Encumbered amounts lapse at year-end in the General Fund and may be re-appropriated and re-encumbered as part of the subsequent year's budget. However, encumbered amounts do not lapse at year-end in the Capital Projects Fund, Special Revenue Funds, or Federal and Private Resources Fund.

Encumbered amounts at year-end have been included within the restricted fund balance in **Table N53a** – Schedule of FY 2013 Fund Balance found on page 122.

F. CASH AND INVESTMENTS

Cash

Cash from the governmental and proprietary funds is pooled unless prohibited by law. The cash management pool is used as a demand deposit account by each participating fund. If a fund overdraws its share of the pooled cash, that fund reports a liability (Due To) to the General Fund, which is deemed to have loaned the cash to the overdrawn fund. The General Fund reports a receivable (Due From) from the overdrawn fund.

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

Cash that is not needed for immediate disbursement is invested to generate investment income. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56, D.C. Official Code §47-351.01, et seq.), which became effective March 18, 1998, and the District's Investment Policy, adopted November 2008. At September 30, 2013, the District invested primarily in securities backed by the U.S. government which included obligations of Government Sponsored Entities (GSEs) that have the explicit and implicit guarantee of the U.S. federal government. Such investments are considered to be cash equivalents if they mature within 90 days after the date of purchase. The Pension Trust Funds are authorized to invest in fixed income, equity securities and other types of investments. Also, the Private Purpose Trust Fund is authorized to invest in eight portfolios which are

comprised of equities, balanced funds, 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 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. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date. Cash received as collateral on securities lending transactions and investments made are reported as assets and related liabilities for collateral received.

G. INVENTORY

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

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

H. RESTRICTED ASSETS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**I. PREPAID ITEMS**

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

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

J. RECEIVABLES AND PAYABLES

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

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

K. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

Interfund transactions are categorized as: (a) revenue and 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 represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To Other Funds" or "Due From Other Funds." Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances." Short-term amounts owed between the primary government

and a discretely presented component unit is classified as "Due To/From Primary Government" and "Due To/From Component Unit" on the Statement of Net Position.

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

L. CAPITAL ASSETS

Capital assets, which include property, land, equipment, land improvements, and infrastructure (i.e., 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.

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 their useful lives is not capitalized. Betterments are capitalized as separate assets. Capital asset purchases are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

When the construction of assets is financed through the issuance of long-term debt, interest is capitalized in the government-wide financial statements 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capitalization and Depreciation Policies

Capitalized assets have an original cost of \$5 (five thousand) 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 N1** by class.

Table N1 – Estimated Useful Lives (by Asset Class)

	<u>Useful life</u>
Storm Drains	45 years
Infrastructure	20-40 years
Buildings	50 years
Equipment and Machinery	5-10 years
Furniture and Fixtures	5 years
Vehicles (and Other Mobile Equipment)	5-12 years
Library Books	5 years
Leasehold Improvements	10 years, not to exceed term of lease

M. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net position by the District that is applicable to a future reporting period. Deferred outflows of resources have a natural debit balance and therefore, increase net position in a manner similar to assets.

N. CAPITAL LEASES

In general, a lease is considered to be a capital lease if it meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee at the end of the lease term.
- The lease contains an option to purchase the leased property at a bargain price.
- The lease term is equal to or greater than 75% of the estimated life of the leased property.
- The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the leased property less any investment tax credit retained by the lessor.

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 future minimum lease payments due during the term of the leases, are also

recorded in these financial statements.

O. COMPENSATED ABSENCES

Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Annual (vacation) 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 leave (leave granted to eligible employees in lieu of paid overtime) that may be accumulated.

Recording of Accrual for Accumulated Leave

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

The District does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, however, unused sick leave can be used to determine employees' years of service. District employees earn sick leave credits that are considered termination payments at the time of retirement. For instance, one month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System or in the District Retirement Program.

The District estimates the potential sick leave credits (termination payments) at fiscal year-end based on the number of employees who are currently eligible for retirement and sick leave payments upon separation, or who are expected to become eligible in the future to receive such payments.

P. LONG-TERM LIABILITIES

Pursuant to Section 603 of 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 General Fund revenues of the fiscal

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

year in which the debt is issued. The legal debt limitation is calculated annually by dividing maximum annual principal and interest by current-year total general fund revenues.

In addition, consistent with the Limitation on Borrowing and Establishment of Operating Cash Reserve Act of 2008 (D.C. Code § 47-335.02), the Council shall not approve a District bond issuance if the applicable annual debt service on the District bond issuance would cause the debt service on all District bonds in the fiscal year in which the District bonds are issued, or in any of the three succeeding fiscal years, to exceed 12% of General Fund expenditures in any applicable fiscal year.

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 began paying principal on its 1994B Capital Appreciation Bonds (CABs) in June 2012, and will make such payments annually through June 2014. 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 6.60% 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 began paying principal on its 2002 Mandarin TIF CABs on July 1, 2002, and will make such payments annually until July 1, 2021. The CABs accrete to their full value at maturity. Interest is accreted and compounded semi-annually using rates ranging from 5.22% 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 will begin paying principal on its 2006 Tobacco CABs in June 2046 and June 2055. 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.

Q. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net position by the District that is applicable to a future reporting period. Deferred inflow of resources has a natural credit balance, and therefore, decreases net position much in the same manner as do liabilities.

R. NEW ACCOUNTING STANDARDS ADOPTED

During the fiscal year ended September 30, 2013, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

Issued in November 2010, this statement addresses issues related to service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or non-governmental entity) in which: (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration; and (2) the operator collects and is compensated by fees from third parties. This statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows; the rights granted and retained; and guarantees and commitments.

Implementation of this statement had no material impact on the District's fiscal year 2013 financial statements.

Statement No. 61, The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34

Issued in November 2010, this statement modifies

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certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This statement also amends the criteria for reporting component units as if they were part of the primary government (that is blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, this statement additionally requires that: (1) the primary government and the component unit have a financial benefit or burden relationship; or (2) management (below the level of elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Additional guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

Implementation of this statement had no material impact on the District's fiscal year 2013 financial statements.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Issued in December 2010, this statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the

following pronouncements, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board Opinions; and
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 in that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

Implementation of this statement had no material impact on the District's fiscal year 2013 financial statements.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Issued in June 2011, this statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure, and

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by renaming that measure “net position,” rather than net assets.

Implementation of this statement had no material impact on the District’s fiscal year 2013 financial statements.

Statement No. 65, Items Previously Reported as Assets and Liabilities

Issued in March 2012, this statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Statement No. 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

Implementation of this statement had no material impact on the District’s fiscal year 2013 financial statements. However, see Note 1Y on page 77 for further discussion of the impact of implementation of this statement.

S. NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN THE FUTURE

The District plans to implement the following pronouncements by the required implementation dates. Earlier implementation will occur when deemed feasible.

Statement No. 66, Technical Corrections – 2012—an Amendment of GASB Statements No. 10 and No. 62

Issued in March 2012, the objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting*

and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits funds-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The requirements of this statement are effective for periods beginning after December 15, 2012, the District’s fiscal year 2014.

Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25

Issued in June 2012, this statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Statement, along with Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes a definition of a pension that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:

- Single-employer pension plans - those in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent multiple-employer pension plans (agent pension plans) - those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing multiple-employer pension plans (cost-sharing pension plans) - those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any

employer that provides pensions through the pension plan.

This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria.

The requirements of this statement are effective for fiscal years beginning after June 15, 2013, the District's fiscal year 2014.

Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Issued in June 2012, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources,

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

deferred inflows of resources, and related expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The requirements of this statement are effective for fiscal years beginning after June 15, 2014, the District's fiscal year 2015.

Statement No. 69, Government Combinations and Disposals of Government Operations

Issued in January 2013, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. GASB Statement No. 69 also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

GASB Statement No. 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this statement are effective for government combinations and disposals of government operations occurring in fiscal years beginning after December 15, 2013, the District's fiscal year 2015.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

Issued in April 2013, the objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The requirements of this statement are effective for fiscal years beginning after June 15, 2013, the District's fiscal year 2014.

T. NET POSITION AND FUND BALANCE

Assets plus deferred outflows less liabilities less deferred inflows equals "Net Position" in the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" in governmental fund statements. In the government-wide and proprietary

fund financial statements, "Net Position" is further categorized as:

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

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in governmental fund financial statements, fund balances are classified as follows:

- *Nonspendable* - resources which cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- *Restricted* – resources with use constraints which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which can only be used for specific purposes pursuant to limitations imposed by formal action of the District government's highest level of decision-making authority. Amounts in this category may be redeployed for other purposes with the appropriate due process. Committed amounts cannot be used for any other purpose unless the District government removes or changes the specified use by taking the same type of action it used to previously commit the amounts.
- *Assigned* – resources neither restricted nor committed for which the District has a stated

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intended use as established by the Mayor, Council, or a body or official to which the Mayor or Council has delegated the authority to assign amounts for specific purposes. These are resources where the constraints/restrictions are less binding than that for committed resources.

- *Unassigned* – resources which cannot be classified in one of the other four categories. The general fund is the only fund that is permitted to report a positive unassigned fund balance amount. In other governmental funds, it is not possible to report a positive unassigned fund balance; if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance may be reported.

For committed fund balance, the bodies which have the highest level of decision-making authority are the Executive Office of the Mayor and the Council of the District of Columbia (the Council). The Council must pass legislation to establish, modify, or rescind a commitment of fund balance. Consistent with Sections 424, 448, and 450 of the District of Columbia Home Rule Act, the District's Mayor, Council, and Chief Financial Officer are responsible for managing the District's financial resources. In fulfilling their respective responsibilities, the Mayor, Council, or Chief Financial Officer, as authorized, may assign portions of fund balance for specific purposes; however, the assignment of fund balance must be formally documented in the form of an Executive Order, letter, or some other official directive.

It is the policy of the District to use restricted resources first, followed by committed resources and the assigned resources, when expenses are incurred for purposes for which any of these resources are available. Therefore, the District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and considers committed fund balance to have been spent when an expenditure has been incurred for purposes for which committed, assigned, or unassigned amounts could have been used. The District does, however, reserve the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

Consistent with mandates imposed by the federal government and D.C. Code §1-204.50a, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures less debt service costs. The 6% includes a contingency cash reserve of 4% and an emergency cash reserve of 2%.

As of September 30, 2013, the District's fund balance included the following categories (see Table N53a on page 122.)

Nonspendable Fund Balance

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.

Restricted Fund Balance

Emergency and Contingency Cash Reserve – 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.

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.

Budget – This portion of fund balance represents unused FY 2013 budget reserve amounts that are restricted for specific purposes and available for such purposes until expended.

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

Payment in Lieu of Taxes (PILOT) – This portion of fund balance is restricted for payment of future debt service associated with the PILOT Revenue Bonds.

Tobacco Settlement – This portion of fund balance is restricted to pay future debt service and related expenses associated with the Tobacco Corporation's issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

Tax Increment Financing (TIF) Program – This portion of fund balance is restricted for debt service on TIF Bonds.

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

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

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

Baseball Special Revenue – This portion of fund balance represents resources set aside for baseball debt service payments.

Committed Fund Balance

Fiscal Stabilization Reserve – This portion of fund balance is committed to purposes permitted for use of the Contingency Reserve Fund (except for cash flow management purposes).

Cash Flow Reserve – This portion of fund balance is committed to cover cash flow needs; provided that any amounts used must be replenished to this reserve in the same fiscal year.

Integrated Service Fund – This portion of fund balance is committed to fund interdisciplinary programs and services designed to meet the needs of at-risk children, youth and their families.

Budget Support Act – This portion of fund balance is committed to various non-lapsing accounts established in the budget support act, which is a local law.

Fixed Cost Commodity Reserve – This portion of fund balance represents unexpended funds which were appropriated for fixed costs at the end of the fiscal year pursuant to the Commodities Cost Reserve Fund Act of 2005.

Youth Jobs Fund – This portion of fund balance is committed for programs to provide in-school, out-of-school, and year-round employment programs for youth to work at least ten hours per week.

Healthcare Forfeiture – This portion of fund balance represents 401(a) Defined Contribution Pension Plan contribution amounts which have been forfeited by former employees who have separated from District service before the vesting period expires. Such forfeited contributions may be used to reduce the aggregate amount of plan contributions or fund retirees' health and life insurance benefits.

Dedicated Taxes – This portion of fund balance represents the portions of the District's tax revenue streams which are dedicated for specific purposes and are not available for general budgeting.

Other Special Purposes – This portion of fund balance is committed to activities financed by fees and charges for services.

Assigned Fund Balance/Unassigned Fund Balance

Contractual Obligations – This portion of fund balance represents amounts set aside by the executive branch to fund other special purpose (O-Type) fund activities.

Subsequent Years' 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 2014 budget approved by the District Council.

Minimum Fund Balance Policies

Restricted Fund Balances

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures (local portion) less debt service cost. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%. These reserves are reported as restricted cash and restricted net position in the government-wide financial statements.

Contingency Reserve

The contingency reserve may only be used for nonrecurring or unforeseen needs that arise during the fiscal year, including expenses associated with unforeseen weather conditions or other natural disasters, unexpected obligations created by federal law or new public safety or health needs or requirements that have been identified after the budget process has occurred, or opportunities to achieve cost savings. In addition, the contingency reserve may be used, as needed, to cover revenue shortfalls experienced by the District government for three consecutive months (based on a two-month rolling average) that are 5% or more below the budget forecast. The contingency reserve fund may not be used to fund any shortfalls in any projected reductions which are included in the budget proposed by the District for the fiscal year.

Each fiscal year, the District must appropriate sufficient funds during the budget process to replenish any amounts allocated from the contingency reserve fund during the preceding fiscal years. Such appropriation is necessary so that not less than 50% of any amount allocated in the preceding fiscal year or the amount necessary to restore the contingency reserve fund to the 4% required balance, whichever is less, is replenished

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by the end of the first fiscal year following such allocation. In addition, 100% of the amount allocated or the amount necessary to restore the contingency reserve fund to the 4% required balance, whichever is less, must be replenished by the end of the second fiscal year following each such allocation.

Emergency Reserve

The emergency reserve fund may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity or unexpected obligations by federal law. The emergency reserve fund may also be used in the event that a State of Emergency is declared by the Mayor. However, the emergency reserve fund may not be used to fund: (a) any department, agency, or office of the District government which is administered by a receiver or other official appointed by a court; (b) shortfalls in any projected reductions which are included in the budget proposed by the District for the fiscal year; or (c) settlements and judgments made by or against the District government.

Each fiscal year, the District must appropriate sufficient funds during the budget process to replenish any amounts used from the emergency reserve fund during the preceding fiscal years. Such appropriation is necessary so that not less than 50% of any amount allocated in the preceding fiscal year or the amount necessary to restore the emergency reserve fund to the 2% required balance, whichever is less, is replenished by the end of the first fiscal year following such allocation. In addition, 100% of the amount allocated or the amount necessary to restore the emergency reserve fund to the 2% required balance, whichever is less, must be replenished by the end of the second fiscal year following each such allocation.

Committed Fund Balances

Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency reserve was established (except for cash flow management purposes.) At full funding, this reserve must equal 2.34% of the District's General Fund operating expenditures for the current fiscal year.

Cash Flow Reserve

The cash flow reserve may be used by the District's Chief Financial Officer to cover cash flow needs. When amounts are used, the cash flow reserve must be replenished in the same fiscal year of use. At full

funding, the cash flow reserve must equal 8.33% of the General Fund operating budget for the current fiscal year.

If either the fiscal stabilization reserve or the cash flow reserve are below full funding upon issuance of the Comprehensive Annual Financial Report, the District's Chief Financial Officer must commit 50% of the unassigned end-of-year fund balance to each reserve, or 100% of the end-of-year unassigned fund balance to the reserve that has not reached full capacity, to fully fund the reserves to the extent allowed by the end-of-year fund balance. Moreover, if the amount required for the contingency reserve or emergency cash reserve is reduced, the amount required to be retained in the fiscal stabilization reserve is to be increased by the same amount.

U. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 9 and pursuant to D.C. Code §1-621.13, employees hired after September 30, 1987, who retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code §1-622.16, these employees may convert their group life insurance to individual life insurance. The expense of providing such benefits to employees hired prior to October 1, 1987, is paid by the federal government and the District has no liability for these costs. However, the District provides health and life insurance benefits to retirees first employed by the District after September 30, 1987.

The District utilizes a graded contribution schedule whereby District contributions to the plan are based on the employee's years of creditable District service. District contributions are limited such that the District pays no more than 75% of the cost of health insurance, and 30% of the cost of life insurance for eligible retirees. The District also pays no more than 60% of the premium for a retiree's spouse and dependent health insurance coverage. More information regarding the OPEB contribution policy is presented in Note 10 on page 119.

The District records a liability in its government-wide financial statements for its portion of the cost of postemployment benefits. A liability for such benefits is not recorded in the fund statements. The District began funding the OPEB plan on an actuarial basis in fiscal year 2008.

As of September 30, 2013, there were 646 OPEB Plan participants receiving such benefits. The participants

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were comprised of 475 teachers, police, and firefighters, and 171 general District retirees. During fiscal year 2013, \$4.5 million was paid from the OPEB plan for the associated insurance carrier premiums and other administrative costs.

V. USE OF ESTIMATES

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

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Explanation of certain differences between the governmental funds balance sheet and governmental activities on the government-wide statement of net position**

The governmental funds balance sheet includes reconciliation between fund balances - total governmental funds versus net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that certain deferred inflows of resources under the modified accrual basis of accounting, are reported as revenues in the government-wide financial statements. The difference in deferred inflows of resources of \$126,944 between the two statements is a reconciling item, which is attributable to the modified accrual basis of accounting having been used to recognize property tax revenues and other unavailable revenues in the governmental funds as this amount is not currently available for use in fiscal year 2013. The accrual basis of accounting is used to record revenues in the government-wide financial statements.

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 of governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

The details of the \$474,980 difference related to capital outlay are as follows:

Capital outlay capitalized	\$	905,413
Less:		
Depreciation expense		(389,885)
Capital asset additions		19,640
Transfer and dispositions		(60,188)
Net Adjustment	\$	<u>474,980</u>

Deferred inflows of resources derived from property taxes and other unavailable revenues were earned but not currently available financial resources for the purpose of recognition in the governmental funds and were recognized in the government-wide financial statements. Such net adjustments were \$37,111 more in the statement of activities than in the statement of revenues, expenditures and changes in fund balances.

The details of the (\$693,828) difference related to long-term liabilities are as follows:

Bonds issued	\$	(858,291)
Equipment financing program		(41,016)
Premium on long-term debt		(154,681)
Less:		
Bonds refunding		28,929
Principal payments on G.O. bonds		50,040
Principal payments on other long-term debt		253,511
Amortization of premium		27,680
Net Adjustment	\$	<u>(693,828)</u>

The details of the \$51,226 difference related to the change in accrued liabilities are as follows:

Annual leave	\$	(3,725)
Accreted interest		3,538
Accrued interest		1,116
Claims and judgments		(72,397)
Grant disallowances		(7,853)
Accrued disability compensation		5,795
Net OPEB liability		22,300
Net Adjustment	\$	<u>(51,226)</u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following presents the reconciliation of the budgetary basis operating results to the GAAP basis.

	GENERAL FUND	FEDERAL AND PRIVATE RESOURCES
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	\$ 320,893	\$ 17,090
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	3,880	(926)
Transfers/Reclassifications of loan	(37,199)	1,667
Fund balance re-allocation	(26,725)	-
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(18,442)	(8,529)
State education loan program	-	(20,061)
Federal pass-through contribution (D.C. Federal Pension Fund and SNAP)*	-	731,466
Federal pass-through contribution (D.C. Federal Pension Fund and SNAP)*	-	(731,466)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS	\$ 242,407	\$ (10,759)

The federal pass through contribution/expenditures are comprised of: on behalf payment to D.C. Federal Pension Fund (\$495,900) and payments to eligible low income families under the Supplemental Nutrition Assistance Program (SNAP) (\$235,566).

Y. RESTATEMENT

Primary Government

Change in Accounting Policy/Implementation of New Accounting Standard – Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, beginning net position was decreased by \$147,675. This change represents a restatement of bond issuance costs that were amortized as required by prior standards, but expensed in the period incurred under GASB Statement No. 65.

The effect of the change in accounting policy was as follows:

October 1, 2012, net position, as previously reported	\$ 3,562,587
Accounting Policy Change	(147,675)
October 1, 2012, net position, restated	<u>\$ 3,414,912</u>

Component Units

The Housing Finance Agency implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2013. As a result, the agency eliminated in its financial statements unamortized debt issuance costs, except any portion that related to prepaid insurance costs, which is to be recorded as an expense in the period incurred. HFA also eliminated loan origination fees, which, except any portion related to points, should be recognized as revenue in the period received. Points received by a lender in relation to a loan origination should be reported as a deferred inflow of resources and recognized as revenue over the duration of the related loan. Direct loan origination costs should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating financial statements for all periods presented and the cumulative effect of applying this statement resulted in a restatement of beginning net position for the earliest period reported.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The effect of this change in accounting policy was as follows:

October 1, 2012, net position, as previously reported	\$ 93,823
Accounting Policy Change	(614)
October 1, 2012, net position, restated	<u>\$ 93,209</u>

As indicated in Note 1B, Financial Reporting Entity, after re-evaluating the District of Columbia Water and Sewer Authority (WASA) using the criteria contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, it has been determined that WASA no longer qualifies as a discretely presented component unit. Beginning in fiscal year 2013, the District reports WASA as a related organization. Consequently, the beginning balances for the District's discretely presented component units as presented in the fiscal year 2013 financial statements have been restated.

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 operational efficiency, and to maximize investment opportunities. In accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective on March 18, 1998, substantially all of the \$3,660,851 in deposits within the custody of the District at September 30, 2013, were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2013, the carrying amount of cash for the primary government including the fiduciary funds was \$3,473,153 and the carrying amount of cash (deposits) for the component units was \$187,698.

B. INVESTMENTS

The Treasurer is authorized by District laws to invest funds in a manner that will preserve principal and meet the District's anticipated daily cash requirements, while maximizing investment earnings. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56) and the District's Cash and Investment Management Policy, adopted November 2008. The District's 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 equities and bonds. See **Table N7a** on page 83 for details.

The Retirement Board is authorized to manage and control the investment of the District's Retirement Funds' (Teachers', Police Officers' and Firefighters' Retirement Funds) assets. The Retirement Board may 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 Retirement 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, subject to the exceptions in subsection (c) of this section.

The fair values of the investments held in the control of the Retirement Board as of September 30, 2013 are presented in **Table N2**.

NOTE 2. CASH AND INVESTMENTS**Table N2 – Fair Values of Investments: Retirement Board**

	(Dollars in \$000s)	
	2013	2012
Cash and short-term investments	\$ 96,058	\$ 74,516
Investments at fair value:		
Domestic equity	1,372,613	1,256,317
International equity	1,773,661	1,572,788
Fixed income	1,617,778	1,399,703
Real estate	356,125	253,621
Private equity	654,901	682,583
Total cash and investments at fair value	\$ 5,871,136	\$ 5,239,528

The District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund (OPEB Trust Fund) also held investments at September 30, 2013. Cash and cash equivalents are maintained in eight investment accounts. **Table N3** presents the Fund's cash and cash equivalents that were held in investment accounts as of September 30, 2013. **Table N4** presents the aggregate fair values of the Fund's investments based on quoted market prices as of September 30, 2013.

Table N3 – Cash and Cash Equivalents Held in Investment Accounts: OPEB Trust Fund

Fund	(Dollars in \$000s)	
	2013	2012
Brandywine Large Cap	\$ 4,896	\$ 3,998
ClearBridge Mid Cap	4,758	1,763
Bernstein Strategic Core	21,257	9,482
Cash Account	109,401	110,372
Bernstein Global Plus	2,963	764
FMW Large Cap Growth	8,588	2,919
Bernstein Strategic Value	-	1
Bernstein US EQ Strategic Growth	-	4
Total cash and cash equivalents held in investment accounts	\$ 151,863	\$ 129,303

Table N4 – Aggregate Fair Values of Investments: OPEB Trust Fund

Funds	Aggregate Fair Market Value	
	2013	2012
Bernstein Strategic Core	\$ 131,080	\$ 105,126
Brandywine Large Cap Value	137,959	86,246
FMW Large Cap Growth	115,545	82,878
Bernstein Global Plus	72,789	64,956
ClearBridge Mid Cap - PRI	89,285	57,926
SSgA Bond Index	71,984	65,398
Barclays International	77,465	53,682
Royce FD	62,271	40,990
Access Capital ETI - PRI	15,158	10,433
Total Aggregate Fair Value	\$ 773,536	\$ 567,635

Table N5 presents the debt instruments which were held by the Retirement Board's Investment Pool as of September 30, 2013.

Table N5 – Debt Instruments Held by the Retirement Board Investment Pool at September 30, 2013

Investment Type	(Dollars in \$000s)			
	Fair Value	% of Segment	Duration	Rating
US Agency	\$ 26,395	1.63%	4.30	AA
Asset Backed	4,794	0.30%	1.86	AA
Bank Loans	81,451	5.03%	5.92	NR
CMBS	812	0.05%	0.67	AAA
CMO	9,907	0.61%	7.51	AAA
Corporate	327,275	20.23%	4.92	BBB-
Euro	679	0.04%	0.66	BB+
Foreign	296,174	18.31%	5.23	A
Mortgage Pass-Through	222,258	13.74%	4.57	AA+
Municipal	15,066	0.93%	9.92	AA
Unclassified	20,493	1.27%	6.77	NR
US Treasury	587,426	36.31%	6.44	AA+
Yankee	15,491	0.96%	4.87	AA
Other	9,557	0.59%	N/A	NR
Total Fixed Income	\$ 1,617,778	100.00%		

N/A - Not Available

NR - Not Rated

The District's investments and those of its discretely presented component units are subject to interest rate, credit, custodial credit, and foreign currency risks. The District, including the Retirement Board, broadly diversifies the investments of District funds so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so.

The OPEB Trust Fund's investments are uninsured and unregistered and are held by the counterparty in the Plan's (or Fund's) name.

NOTE 2. CASH AND INVESTMENTS

The types of risks to which the District (including the Retirement Board and the OPEB Trust Fund) may be exposed are described below:

- **Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity will have a greater sensitivity to fair value changes that are related to market interest rates. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the District's investment policy limits the District's portfolio to specific maturities.

The District's investment policy stipulates that for the District's authorized investments, investment maturities are limited as follows:

<u>Type of Investment</u>	<u>Maturity</u>	<u>Maximum Investment</u>
U.S. Treasury Obligations	Five years	100%
Federal Agency Obligations	Five years	100%
Repurchase Agreements	90 days or less	100%
Commercial Paper	180 days or less	30%
Bankers' Acceptances	270 days or less	40%
Municipal Obligations	Five years	20%
Federally Insured or Collateralized Certificates of Deposit		30%
Money Market Mutual Funds		100%

The Retirement Board monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt instrument's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Duration measures the sensitivity of the price of a fixed income investment to a change to interest rates expressed as a number of years. As a general rule, the risk and return of the Retirement Board's fixed income segment of the portfolio is compared to the Barclays Capital US Universal Index. To

mitigate interest rate risk, the fixed income segment is expected to maintain a weighted average duration (sensitivity to interest rate changes) within +/-2 years of the duration of this Index.

The OPEB Trust Fund addresses interest rate risk through a process that focuses on the review of investment managers and fund returns. The Fund also uses an independent consultant to review assets and recommend any appropriate changes. The average duration for Sanford Bernstein US Core Plus was 5.56 years and Global XUS Plus was 6.22 years for the fiscal year ended September 30, 2013. The average duration for Access Capital was 4.51 years as of September 30, 2013 and the duration of the SSgA Bond Index Fund was 5.49 years as of September 30, 2013.

- **Credit Risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The District's Investment Policy limits investments in commercial paper, bankers' acceptances, municipal obligations, and money market mutual funds to certain ratings issued by nationally recognized credit rating agencies. District policy requires that for investments in: (a) commercial paper, the issuing corporation, or its guarantor have a short-term rating of no less than A-1 (or its equivalent) by at least two credit rating agencies; (b) bankers' acceptances, the short-term paper of the issuer be rated not lower than A-1 or the equivalent by a credit rating agency; (c) municipal obligations, such as bonds, notes, and other evidences of indebtedness be rated in either of the two highest rating categories by a credit rating agency, without regard to gradation; (d) money market mutual funds, the fund be rated AAAM or AAAM-G or the equivalent by a credit rating agency; and (e) repurchase agreements, the counterparty has a long-term credit rating of at least 'AA-' or the equivalent from a Nationally Recognized Statistical Rating Organization ("NRSRO") and does not have a "negative outlook" associated with such rating, has been in operation for at least five years, and is reputable among market participants.

Unless specifically authorized otherwise in writing by the Retirement Board, fixed income managers invest retirement funds in investment grade instruments rated in the top four categories by a recognized statistical rating service.

The average quality of the OPEB Trust Fund's bond

NOTE 2. CASH AND INVESTMENTS

holdings in each investment manager's portfolio should be maintained at "A" or better. The OPEB Trust Fund does not invest more than 15% of the Fund's assets in securities rated below "A". As of September 30, 2013, the average quality rating of the SSgA was Aa2, Access Capital was AAA, and Sanford Bernstein portfolios were AA-.

- **Custodial Credit Risk** – Custodial credit risk is the risk that, given a financial institution's failure, the government will not be able to recover deposits or collateral.

Custodial credit risk occurs when investment securities are uninsured and/or not registered in the name of the government, and there is failure of the counterparty. In such cases, 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. All District investments in fiscal year 2013 were collateralized. 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.

The Retirement Board had no custodial credit risk exposure during the fiscal year. All Retirement Board investments in fiscal year 2013 were collateralized. Investments held by the custodian on behalf of the Retirement Board were held in an account in the Retirement Board's name. Any funds not invested at the end of the day are placed in overnight investments in the Retirement Board's name.

- **Concentration of Credit Risk** – The District's investment policy does not allow for an investment in any one institution that is in excess of twenty-five percent of the District's total investments. At September 30, 2013, the District was in compliance with this policy.
- **Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair values of an investment.

As a general policy of the Retirement Board, investment managers with authority to invest in securities 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.

At September 30, 2013, the District had exposure to foreign currency risk with respect to investments held by the Retirement Board and the OPEB Trust Fund. At the end of fiscal year 2013, the Retirement Board held investments that were denominated in a currency other than the United States dollar, as presented in **Table N6a**.

The OPEB Trust Fund does not have a formal policy for limiting its exposure to changes in exchange rates. **Table N6b** presents the OPEB Trust Fund's investments that were denominated in a currency other than the United States dollar.

Table N6a – Retirement Board Investments Denominated in Foreign Currency

	Asset Class (in \$000s)					
	Cash	Equities	Fixed Income	Private Equity	Swaps	Total
Australian Dollar	\$ 1	\$ 1,134	\$ -	\$ -	\$ 87	\$ 1,222
Brazilian Real	-	-	-	-	(493)	(493)
Canadian Dollar	207	-	2,159	-	21	2,387
Euro	7,287	54,663	11,153	26,836	(95)	99,844
Hong Kong Dollar	-	6,848	-	-	-	6,848
Japanese Yen	101	31,300	-	-	(68)	31,333
Pound Sterling	-	4,722	1,516	-	-	6,238
South Korean Won	-	1,265	-	-	-	1,265
Swedish Krona	-	6,763	-	-	-	6,763
Swiss Franc	-	10,057	-	-	-	10,057
Total Foreign Currency	\$ 7,596	\$ 116,752	\$ 14,828	\$ 26,836	\$ (548)	\$ 165,464

NOTE 2. CASH AND INVESTMENTS

Table N6b – OPEB Trust Fund Investments Denominated in Foreign Currency

	(Dollars in \$000s)		
	Short Term and Cash	Convertible and Fixed Income	Total
Australian Dollar	\$ -	\$ 2,622	\$ 2,622
Canadian Dollar	52	3,302	3,354
Czech Koruna	38	-	38
Euro Currency	122	27,830	27,952
Pound Sterling	44	12,055	12,099
Japanese Yen	88	16,923	17,011
Mexican Peso	-	1,066	1,066
Norwegian Krone	-	724	724
Peruvian Nouveau Sol	-	213	213
Polish Zloty	-	381	381
Swedish Krona	-	332	332
Singapore Dollar	-	171	171
Total Foreign Currency	\$ 344	\$ 65,619	\$ 65,963

NOTE 2. CASH AND INVESTMENTS**Table N7a – Cash and Investments Detail**

		<u>Total Carrying Value</u>
INVESTMENTS		
Primary Government:		
U. S. government securities	\$ 10,200	
Certificates of deposit	75,000	
Mortgage-backed securities	10,362	
Guaranteed investment contracts	2,147	
Repurchase agreements	11,115	
Total Primary Government		\$ 108,824
Fiduciary Funds:		
Pension trust funds' investments held by Board's agent in Board's name and Private Purpose Trust Fund:		
Equity securities	4,116,899	
Fixed income securities	1,705,961	
Real estate	356,125	
Private equity	654,901	
Total Fiduciary Funds		6,833,886
Component Units:		
U. S. government securities	225,587	
Fixed income securities	9,595	
Corporate securities	2,281	
Investment contracts	35,720	
Alternative investments	145,022	
Total Component Units		418,205
Total reporting entity investments		<u>\$ 7,360,915</u>
CASH BALANCES		
Primary government	\$ 3,183,137	
Fiduciary Funds	290,016	
Component units	187,698	
Total cash balances		<u>\$ 3,660,851</u>
Total Cash and Investment Balances		<u>\$ 11,021,766</u>

NOTE 2. CASH AND INVESTMENTS

Table N7b – Reconciliation of the District’s Cash and Investment Balances

(Dollars in \$000s)								
	Exhibit 1-a			Exhibit 4-a				Total Cash and Investment Balances
	Primary Government	Component Units	Total (Exhibit 1-a)	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds	Total (Exhibit 4-a)	
Cash and cash equivalents	\$ 1,288,265	\$ 76,096	\$ 1,364,361	\$ -	\$ -	\$ -	\$ -	\$ 1,364,361
Investments	-	100,542	100,542	-	-	-	-	100,542
Cash and cash equivalents (restricted)	1,894,872	111,602	2,006,474	247,921	-	42,095	290,016	2,296,490
Investments (restricted)	108,824	317,663	426,487	6,548,614	285,272	-	6,833,886	7,260,373
Total	\$ 3,291,961	\$ 605,903	\$ 3,897,864	\$ 6,796,535	\$ 285,272	\$ 42,095	\$ 7,123,902	\$ 11,021,766

Asset Impairment

At September 30, 2013, the District recognized an impairment loss totaling \$1.67 million related to its investment in certain mortgage-backed securities (MBS), in the aggregate. Impairment was also recognized on these assets in fiscal years 2009 and 2010.

The purchase cost and market value of these securities, in the aggregate, were \$14,474 and \$11,074 respectively. The total value of the MBS portfolio is less than 1% of the total investment holdings. Market values for the MBS portfolio 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. Various dynamics in the credit-market environment and the illiquidity of some MBS 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. Mortgage-Backed Securities are prohibited by the District’s current investment policy; however, all existing MBS positions were “grandfathered” into the overall investment portfolio.

Derivative Instruments

Derivative instruments are generally defined as contracts, the value of which depends on or derives from the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Other common types of derivatives used by governments include: interest rate and commodity swaps, interest rate locks, and forward contracts.

Table N8 presents the fair value balances and notional amounts of the District’s derivative instruments outstanding at September 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2013 financial statements.

NOTE 2. CASH AND INVESTMENTS**Table N8 - Derivative Instruments Outstanding at September 30, 2013**

	(Dollars in \$000s)				
	Changes in Fair Value		Fair Value at September 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities:					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2008C Swap	Deferred inflow	\$19,167	Debt	(\$39,443)	\$224,300
2007 AWC Swap	Deferred inflow	\$4,019	Debt	(9,278)	\$77,210
2004B Swap	Deferred inflow	\$136	Debt	(1,554)	\$38,250
Deferred outflow of resources, at end of year				(\$50,275)	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment Revenue	(\$537)	Investment	\$13	\$186,480
Derivative instrument liabilities, at end of year				(\$50,262)	

The fair values of the interest rate swaps were provided by the counterparty to each respective swap and confirmed by the District's financial advisor. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair values of the interest rate swaps were estimated using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve. The current swap and the new swap payments are present valued at the LIBOR spot rates. The difference in the present value of the cash flows will equal the fair value.

Objective and Terms of Hedging Derivative Instruments

Table N9 presents the objective and terms of the District's hedging derivative instruments outstanding at September 30, 2013, along with the credit rating of the associated counterparty.

NOTE 2. CASH AND INVESTMENTS

Table N9 – Objectives and Terms of Hedging Derivative Instruments Outstanding at September 30, 2013

(Dollars in \$000s)

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps:						
2008 C Swap	Hedge of changes in cash flows on the Series 2008C Bonds (formerly 2002 A/B Bonds)	\$ 224,300	10/15/02	06/01/27	Pay fixed rate of 3.615%; receive 67% of 1-month LIBOR	Baa1/A-/A
2007 AWC Swap	Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds	\$ 77,210	09/20/07	12/01/21	Pay fixed rate of 4.463%; receive the rate that matches the rate paid on the underlying bonds (SIFMA)	Aa3/AA-/AA-
2004 B Swap	Hedge of changes in cash flows on the Series 2004B General Obligation Bonds	\$ 38,250	12/03/04	06/01/20	Pay fixed rates of 4.598%, 4.701%, 4.794% and 5.121%; receive the rate that matches the rate on the underlying bonds (CPI Muni Index)	A2/A/A+
Pay Floating Basis Swaps:						
2001 C/D Basis Swap	Reduces basis risk by providing for a closer match between the underlying variable rate bonds and the variable rate swap receipts from the counterparty	\$ 186,480	06/02/03	06/01/29	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month ranging from 60% to 90% of LIBOR	Aa3/A+/A+

Risks

Credit Risk

The fair market values of the interest rate swaps represent the District's obligation to the respective counterparties if the swap agreements were terminated. The District is exposed to credit risk on hedging derivative instruments that have positive fair values (or are in asset positions). To minimize its exposure to loss related to credit risk, the District diversified its counterparties and as such, has a different counterparty for each of its outstanding swaps. The credit ratings of each of the counterparties as of September 30, 2013 were as presented in Table N9.

The District was exposed to minimal credit risk because most of the interest rate swaps had negative fair values. The aggregate fair value of hedging derivative instruments in asset positions at September 30, 2013, was

\$13. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. In each of the District's swap agreements, the payments are netted against the obligations within each swap. As such, if the District is owed any payment due to an event of default by the counterparty that payment can be netted against any outstanding obligations within that specific swap agreement.

Interest Rate Risk

The District is exposed to interest rate risk on its interest rate swaps. As LIBOR or the SIFMA swap index decreases, the District's net payment on its pay-fixed, receive variable interest rate swaps increases.

As of September 30, 2013, the fair value of the investments in derivative instruments subject to interest

NOTE 2. CASH AND INVESTMENTS

rate risk was \$13 (\$13 thousand). These investments had maturities of more than 10 years.

The District invested in 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). At September 30, 2013, the notional amount of the 2001C/D Swap was \$186,480. The District pays the counterparty 67% of LIBOR and the counterparty pays the District a variable rate as a percentage of the actual LIBOR reset each month. The original swap agreement was executed on December 6, 2001 and the District entered into an enhanced swap agreement on June 2, 2003. The 2001C/D swap matures in June 2029. At September 30, 2013, this interest rate swap had a fair value of \$13.

Basis Risk

The District is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. In order to mitigate basis risk, the District typically executes a basis swap which pays the District a higher percentage of LIBOR as interest rates decrease. As of September 30, 2013, the weighted-average interest rate on the District's hedged variable-rate debt was approximately 0.19%, while the SIFMA swap index rate was 0.18% and 67% of LIBOR was 0.14%.

Termination Risk

The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the associated contract. The District is exposed to termination risks on its pay-fixed interest rate swap agreements, which incorporate the International Swap Dealers Association (ISDA) Master Agreement. The ISDA Master Agreement includes standard termination events. Accordingly, an interest rate swap may be terminated if a counterparty or its Credit Support Provider, or the District has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) BAA3 or higher as determined by Moody's Investors Service, Inc.; (ii) BBB-, or higher as determined by Standard & Poor's Ratings Service; or (iii) an equivalent investment grade rating determined by a nationally recognized rating service acceptable to both parties.

If at the time of termination, a hedging derivative instrument is in a liability position, the District would be

liable to the counterparty for a payment equal to the liability, subject to netting arrangements, as applicable.

Rollover Risk

The District is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the District will be re-exposed to the risks being hedged by the hedging derivative instrument. In order to mitigate this risk, the District matches the maturity of each fixed to floating rate swap with the maturity date of the underlying bonds. The District was not exposed to rollover risk during fiscal year 2013.

Retirement Board Derivatives

During fiscal year 2013, the District's Retirement Funds, in accordance with the policies of the Retirement Board, and through the District's Retirement Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses.

To-be-announced market trades (TBAs) (sometimes referred to as "dollar rolls") are used by the District's Retirement 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 forwards, futures contracts and foreign currency options are generally used by the District's Retirement Funds for defensive purposes. These contracts hedge a portion of the District's Retirement Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels is 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 District's Retirement Funds. Credit risk is managed by limiting transactions to counterparties

NOTE 2. CASH AND INVESTMENTS

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 District's Retirement 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 District's Retirement 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 District's Retirement 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 with member firms of organized exchanges.

Warrants are used by the District's Retirement 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. Rights are a security that gives the holder the entitlement to purchase new shares issued by a corporation at a predetermined price in proportion to the number of shares already owned. Market risk for warrants and rights is limited to the purchase cost. Credit risk for warrants and rights is similar to the underlying equity and/or bond holdings. All such risks are monitored and managed by the District's Retirement Funds' external investment managers who have full discretion over such investment decisions.

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. The District's Retirement Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and to gain market exposure without having to actually own the asset. The District's Retirement Funds may manage credit exposure through

the use of credit default swaps. A credit default swap (CDS) is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a CDS is that it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk.

The District's Retirement Funds also hold derivative instruments 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

Table N10 presents a list of the District's Retirement Funds' derivatives aggregated by type as of September 30, 2013.

Table N10 – Retirement Board Derivative Investments Aggregated by Type

(Dollars in \$000s)					
Type of Derivative	Changes in Fair Value (4)		Fair Value at September 30, 2013		Notional (3)
	Classification	Amount (1)	Classification	Amount (2)	
Credit Default Swaps Bought	Investment Income	\$ (847)	Swaps	\$ 646	\$ 36,312
Credit Default Swaps Written	Investment Income	(6)	Swaps	227	13,500
Fixed Income Futures Long	Investment Income	121	Futures	-	33,250
Fixed Income Futures Short	Investment Income	(4)	Futures	-	(11,080)
Fixed Income Options Bought	Investment Income	(11)	Options	304	2,100
Fixed Income Options Written	Investment Income	501	Options	(335)	(42,610)
Foreign Currency Futures Long	Investment Income	-	Futures	-	-
Foreign Currency Futures Short	Investment Income	-	Futures	-	-
Foreign Currency Options Bought	Investment Income	(22)	Options	-	-
Foreign Currency Options Written	Investment Income	49	Options	-	-
Futures Options Bought	Investment Income	4	Options	-	-
Futures Options Written	Investment Income	21	Options	-	-
FX Forwards	Investment Income	(226)	LT Instruments	(68)	46,440
Pay Fixed Interest Rate Swaps	Investment Income	1,619	Swaps	1,234	26,892
Received Fixed Interest Rate Swaps	Investment Income	(748)	Swaps	(385)	27,595
Rights	Investment Income	223	Common Stock	-	-
Warrants	Investment Income	(31)	Common Stock	-	2,142
Grand Totals		<u>\$ 643</u>		<u>\$ 1,623</u>	

(1) Negative values (in brackets) refer to losses

(2) Negative values refer to liabilities

(3) Notional may be a dollar amount or size of underlying futures and options contracts; negative values refer to short positions

(4) Excludes futures margin payments

C. SECURITIES LENDING

District statutes and the Retirement Board's policies permit the District's Retirement Funds to participate in securities lending transactions by relying on a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Retirement Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2013, the master custodian, at the direction of the Retirement Board, loaned a portion of the District's Retirement Funds' equity and fixed income securities secured by collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable bank letters of credit. This 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 Retirement 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

NOTE 2. CASH AND INVESTMENTS

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 District's Retirement 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 2013.

During fiscal year 2013, the Retirement 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 2013.

The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in the Quality D Fund which is comprised of a liquidity pool and a duration pool. As of September 30, 2013, the liquidity pool had an average duration of 40.98 days and an average weighted final maturity of 99.74 days for USD collateral. As of this date, the duration pool had an average duration of 41.43 days and an average weighted final maturity of 1,996.16 days for USD collateral. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

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, 2013, the Retirement Board had no credit risk exposure to borrowers.

As of September 30, 2013, the fair value of securities on loan was \$83,900. Associated collateral totaling \$84,142 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2013, the invested cash collateral had a fair value of \$83,478.

During the fiscal year ended September 30, 2013, the market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost, resulting in an unrealized loss of \$664.

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

Net security lending income is comprised of three components: gross income, broker rebates, and agent fees. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Net security lending income is equal to gross income less broker rebates and agent fees. Security lending income for fiscal year 2013 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2013, securities lending income was \$701 and securities lending expense was \$196, resulting in net securities lending income of \$505.

NOTE 3. RESTRICTED ASSETS

At September 30, 2013, restricted assets of the primary government, component units, and fiduciary funds totaled \$9,556,863 as summarized in Table N11.

Table N11 – Summary of Restricted Assets

Governmental Funds/Governmental Activities						
	General	Federal & Private Resources	Housing Production Trust Fund	General Capital Improvements	Non-Major	Total
Bond Escrow Accounts	\$ 488,201	\$ -	\$ -	\$ -	\$ -	\$ 488,201
Capital Project	-	-	-	313,886	46,312	360,198
Emergency Cash Reserves	339,490	-	-	-	-	339,490
Others	13,722	116,983	132,816	-	230,272	493,793
Total	\$ 841,413	\$ 116,983	\$ 132,816	\$ 313,886	\$ 276,584	\$ 1,681,682

Proprietary Funds/Business-Type Activities					
	Lottery & Games	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond Escrow Accounts	\$ -	\$ -	\$ -	\$ -	\$ 419,603
Unpaid Prizes	10,200	-	10,200	-	-
University Endowment	-	-	-	-	7,975
Benefits	-	311,814	311,814	7,123,902	-
Other	-	-	-	-	1,687
Total	\$ 10,200	\$ 311,814	\$ 322,014	\$ 7,123,902	\$ 429,265

The bond escrow accounts include bond escrow for capital lease payment of \$3,507.

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 N12.

Table N12 – Receivables

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Fiduciary Funds
Gross Receivables:								
Taxes	\$ 387,103	\$ -	\$ -	\$ -	\$ 3,760	\$ -	\$ -	\$ -
Accounts and other	256,844	28,418	-	8,175	32,519	6,699	31,980	30,477
Federal	364	426,056	2,495	79,721	-	-	10,210	1,170
Total gross receivables	644,311	454,474	2,495	87,896	36,279	6,699	42,190	31,647
Less-allowance for uncollectibles	172,062	-	-	6,136	-	80	21,057	-
Total net receivables	\$ 472,249	\$ 454,474	\$ 2,495	\$ 81,760	\$ 36,279	\$ 6,619	\$ 21,133	\$ 31,647

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES**B. INTERFUND TRANSFERS**

Table N13 shows a summary of interfund transfers for the fiscal year ended September 30, 2013.

Table N13— 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	\$ 22,389
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Parking and Storage	12,722
Lottery and Games	General Fund	DC Lottery excess revenues, after operating cost	68,314
General Fund	Capital Improvements Fund	PAYGO - Projects financed by the General Fund	88,201
General Fund	Capital Improvements Fund	Payments related to the master lease program	1,428
General Fund	Capital Improvements Fund	Transfer of interest on tobacco settlement	22,775
Capital Improvements Fund	General Fund	Transfer of Bike Sharing revenues	3,879
Capital Improvements Fund	General Fund	Capital Improvements Fund financing to help address potential budget shortfall	6,632
Tax Increment Financing Fund	General Fund	Tax imposed to pay debt service on economic development projects	12,377
PILOT Special Revenue Fund	General Fund	Excess collection	8,000
Federal and Private Resources Fund	General Fund	Revenues generated from indirect cost recovery	2,363
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	31,755
Baseball Special Revenue Fund	General Fund	Baseball Fund financing to help address potential budget shortfall	16,797
General Fund	Housing Production Trust Fund	Funds for housing projects and services	4,000
General Fund	Housing Production Trust Fund	Funds for other housing initiatives	62,931
TOTAL INTERFUND TRANSFERS			\$ 364,563

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, 2013, are shown in Table N14.

Table N14 – Summary of Due To /Due From and Interfund Balances

Fund or Component Unit	Primary Government/ Component Units		Interfund	
	Receivables	Payables	Receivables	Payables
General	\$ 24,080	\$ 10,183	\$ 231,527	\$ 26,445
Federal & Private Resources	-	12,188	35,111	153,460
Housing Production Trust	-	-	4,420	-
General Capital Improvements	-	5,696	-	59,212
Nonmajor-Highway Trust	-	-	3,266	-
Nonmajor-Baseball Special Revenue	665	-	3,772	16,797
Nonmajor-PILOT Special Revenue	-	-	834	-
Nonmajor - Tax Increment Financing	-	-	12,828	-
Unemployment Compensation	-	-	-	35,456
Pension Trust	-	-	-	388
Health Benefit Exchange Authority	10,915	4,272	-	-
Washington Convention and Sports Authority	8,224	1,886	-	-
University of the District of Columbia	8,928	18,587	-	-
Total	\$ 52,812	\$ 52,812	\$ 291,758	\$ 291,758

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2014.

NOTE 5. CAPITAL ASSETS**Capital Outlays**

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled \$1,208,481 during the fiscal year ended September 30, 2013. As construction progresses, capital expenditures which meet the criteria to be capitalized as set forth in

Note 1L, are capitalized as Construction in Progress (CIP) in the governmental activities column of the government-wide financial statements. Upon completion of the project, all project costs are transferred from CIP into the appropriate "in-service" capital asset account.

A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS

Table N15 presents the changes in the governmental activities capital assets by class for the primary government:

Table N15 - Changes in the Governmental Activities Capital Assets by Asset Class

Asset Class	Balance October 1, 2012	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2013
Non-depreciable:					
Land	\$ 936,234	\$ -	\$ (12,099)	\$ 4,183	\$ 928,318
Construction in progress	1,209,373	905,413	-	(1,090,020)	1,024,766
Total non-depreciable	2,145,607	905,413	(12,099)	(1,085,837)	1,953,084
Depreciable:					
Infrastructure	4,816,659	-	(6,439)	331,421	5,141,641
Buildings	6,514,765	-	(34,742)	678,820	7,158,843
Equipment	1,512,265	19,640	(38,966)	75,596	1,568,535
Total depreciable	12,843,689	19,640	(80,147)	1,085,837	13,869,019
Less accumulated depreciation for:					
Infrastructure	(2,085,209)	(130,569)	-	-	(2,215,778)
Buildings	(1,389,619)	(127,475)	-	-	(1,517,094)
Equipment	(1,089,509)	(131,841)	32,058	-	(1,189,292)
Total accumulated depreciation	(4,564,337)	(389,885)	32,058	-	(4,922,164)
Total depreciable, net	8,279,352	(370,245)	(48,089)	1,085,837	8,946,855
Net governmental activities capital assets	\$ 10,424,959	\$ 535,168	\$ (60,188)	\$ -	\$ 10,899,939

NOTE 5. CAPITAL ASSETS**B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY FUNCTION**

Table N16 presents the changes in the governmental activities capital assets by function for the primary government:

Table N16- Governmental Activities Capital Assets by Function

Function	Balance October 1, 2012	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2013
Governmental direction and support	\$ 2,366,372	\$ 1,206	\$ (3,422)	\$ 49,954	\$ 2,414,110
Economic development and regulation	514,442	251	2,690	1,200	518,583
Public safety and justice	813,781	13,300	(12,682)	254,620	1,069,019
Public education system	3,090,888	4,062	(36,632)	362,805	3,421,123
Human support services	1,385,701	614	(20,785)	65,889	1,431,419
Public works	5,608,739	207	(21,415)	355,552	5,943,083
Construction in progress (CIP)	1,209,373	905,413	-	(1,090,020)	1,024,766
Total	\$ 14,989,296	\$ 925,053	\$ (92,246)	\$ -	\$ 15,822,103

C. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

A summary of changes in governmental activities capital assets depreciation by function for the primary government is shown in Table N17.

Table N17 – Governmental Activities Capital Assets Accumulated Depreciation by Function

Function	Balance October 1, 2012	Additions	Transfers/ Dispositions	Balance September 30, 2013
Governmental direction and support	\$ 744,087	\$ 98,950	\$ -	\$ 843,037
Economic development and regulation	42,541	3,845	-	46,386
Public safety and justice	386,021	40,025	(12,577)	413,469
Public education system	640,604	66,632	(2,027)	705,209
Human support services	370,784	27,323	(17,454)	380,653
Public works	2,380,300	153,110	-	2,533,410
Total	\$ 4,564,337	\$ 389,885	\$ (32,058)	\$ 4,922,164

NOTE 5. CAPITAL ASSETS**D. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS**

Business-Type Activities Capital Assets are presented in Table N18.

Table N18 - Business-Type Activities Capital Assets

Asset Class	Balance October 1, 2012	Additions	Dispositions/ Adjustments	Balance September 30, 2013
Lottery:				
Depreciable:				
Equipment	\$ 3,659	\$ 153	\$ -	\$ 3,812
Total	<u>3,659</u>	<u>153</u>	<u>-</u>	<u>3,812</u>
Total Business-Type	<u>3,659</u>	<u>153</u>	<u>-</u>	<u>3,812</u>
Less: accumulated depreciation for:				
Equipment	(3,179)	(206)	-	(3,385)
Total accumulated depreciation	<u>(3,179)</u>	<u>(206)</u>	<u>-</u>	<u>(3,385)</u>
Net capital assets	<u>\$ 480</u>	<u>\$ (53)</u>	<u>\$ -</u>	<u>\$ 427</u>

E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS

A summary of capital assets by class for the discretely presented component units is shown in Tables N19 and N20.

Table N19 - Capital Assets by Class for the Discretely Presented Component Units

Asset Class	Balance October 1, 2012, as restated	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2013
Non-depreciable:					
Land	\$ 20,989	\$ -	\$ -	\$ -	\$ 20,989
Artwork	2,741	-	-	-	2,741
Construction in progress	55,616	38,581	-	(8,870)	85,327
Total non-depreciable	<u>79,346</u>	<u>38,581</u>	<u>-</u>	<u>(8,870)</u>	<u>109,057</u>
Depreciable:					
Buildings and improvements	970,033	16,545	-	8,870	995,448
Equipment	252,659	4,611	-	-	257,270
Total depreciable	<u>1,222,692</u>	<u>21,156</u>	<u>-</u>	<u>8,870</u>	<u>1,252,718</u>
Less accumulated depreciation for:					
Buildings and improvements	(292,445)	(34,612)	-	-	(327,057)
Equipment	(190,129)	(6,425)	-	-	(196,554)
Total accumulated depreciation	<u>(482,574)</u>	<u>(41,037)</u>	<u>-</u>	<u>-</u>	<u>(523,611)</u>
Total depreciable, net	<u>740,118</u>	<u>(19,881)</u>	<u>-</u>	<u>8,870</u>	<u>729,107</u>
Net Capital Assets	<u>\$ 819,464</u>	<u>\$ 18,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 838,164</u>

NOTE 5. CAPITAL ASSETS

Table N20 - Capital Assets by Component Unit

Component Units	Capital Assets			Accumulated Depreciation			Net Capital Assets			
	Restated October 1, 2012	Additions	Transfers/ Dispositions	September 30, 2013	Restated October 1, 2012	Additions	Transfers/ Dispositions	September 30, 2013	Restated October 1, 2012	Balance September 30, 2013
University of the District of Columbia	\$ 256,079	\$ 21,294	\$ -	\$ 277,373	\$ (135,389)	\$ (4,503)	\$ -	\$ (139,892)	\$ 120,690	\$ 137,481
Washington Convention and Sports Authority	969,704	8,526	-	978,230	(330,752)	(30,509)	-	(361,261)	638,952	616,969
Health Benefit Exchange Authority	-	27,744	-	27,744	-	-	-	-	-	27,744
Housing Finance Agency	6,215	59	-	6,274	(3,578)	(245)	-	(3,823)	2,637	2,451
Not-for-Profit Hospital Corporation	70,040	2,114	-	72,154	(12,855)	(5,780)	-	(18,635)	57,185	53,519
Total	\$ 1,302,038	\$ 59,737	\$ -	\$ 1,361,775	\$ (482,574)	\$ (41,037)	\$ -	\$ (523,611)	\$ 819,464	\$ 838,164

NOTE 5. CAPITAL ASSETS**F. CONSTRUCTION IN PROGRESS**

Construction in progress by function for governmental activities capital assets is shown in Table N21.

Table N21 – Construction in Progress by Function

Function and Subfunction	Balance October 1, 2012	Additions/ Adjustments	Transfers from CIP/Disposition	Balance September 30, 2013
PRIMARY GOVERNMENT				
Governmental Direction and Support				
Finance	\$ 14,375	\$ 767	\$ (79)	\$ 15,063
Legislative	1,254	(1,254)	-	-
Administrative	37,610	75,594	(68,221)	44,983
Total	<u>53,239</u>	<u>75,107</u>	<u>(68,300)</u>	<u>60,046</u>
Public Safety and Justice				
Police	182,209	49,082	(214,295)	16,996
Fire	46,609	901	(30,247)	17,263
Corrections	-	-	-	-
Total	<u>228,818</u>	<u>49,983</u>	<u>(244,542)</u>	<u>34,259</u>
Economic Development and Regulation				
Community Development	66,660	(39,410)	(1,200)	26,050
Economic Regulation	-	3,339	-	3,339
Total	<u>66,660</u>	<u>(36,071)</u>	<u>(1,200)</u>	<u>29,389</u>
Public Education System				
Schools	89,207	351,053	(354,783)	85,477
Culture	1,016	15,001	(8,022)	7,995
Total	<u>90,223</u>	<u>366,054</u>	<u>(362,805)</u>	<u>93,472</u>
Human Support Services				
Health and Welfare	42,290	25,418	(65,216)	2,492
Recreation	43,480	62,920	-	106,400
Total	<u>85,770</u>	<u>88,338</u>	<u>(65,216)</u>	<u>108,892</u>
Public Works				
Environmental	684,663	362,002	(347,957)	698,708
Total	<u>684,663</u>	<u>362,002</u>	<u>(347,957)</u>	<u>698,708</u>
Totals	<u>\$ 1,209,373</u>	<u>\$ 905,413</u>	<u>\$ (1,090,020)</u>	<u>\$ 1,024,766</u>

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

This section discloses financing programs that are limited obligations and other similar debt instruments that provide capital financing for third parties that are not part of the District's reporting entity. The District has no obligation for these instruments beyond the repayment resources provided by a third party or the remittance of incremental revenues collected.

A. INDUSTRIAL REVENUE BOND PROGRAM

The District has issued, under its Industrial Revenue Bond Program, private activity bonds 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, 2013, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$4.9 billion.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2013.

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, 2013, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$47.9 million.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2013.

C. TAX INCREMENT FINANCING (TIF) NOTES

Tax increment financing (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/or real property tax revenues from the associated project or TIF area. Therefore, the District has no obligation to make any payments on the TIF Notes other than through the remittance of the incremental revenues to the paying agent. TIF Notes are not obligations of the District and are not included as long-term debt of the District.

Fort Lincoln Retail Project

In November 2011, the District issued Phase I and Phase II TIF Notes for the Fort Lincoln Retail Project in the total amount of \$10,000. In April 2013, the \$6,700 Phase I TIF Note began repaying, while the \$3,300 Phase II TIF Note remains in escrow pending completion of Phase II of the retail project.

Downtown Retail Priority Area: Zara, National Crime and Punishment Museum, Madame Tussauds, Forever 21, and Clyde's

Since March 2006, the Mayor has executed several TIF Notes under the Downtown Retail Priority Area Program.

Table N22 presents a summary of the original loan amounts of the Downtown Retail Priority Area TIF Notes.

Table N22 – Downtown Retail Priority Area TIF Notes

Issuance Date	Description	Dollar Value/ Amount (in \$000s)	Terms/Other Comments
May 2008	Zara TIF Note	\$1,750	Matures on June 1, 2018 or upon payment in full; Interest Rate: 5.50%
September 2008	National Crime and Punishment Museum TIF Note	\$3,000	Matures on October 1, 2018; Interest Rate: 5.50%
December 2008	Madame Tussauds TIF Note	\$1,300	Matures on December 1, 2018; Interest Rate: 4.50%
February 2011	Forever 21 TIF Note	\$4,985	Matures on February 1, 2021; Interest Rate: 6.00%
May 2011	Clyde's TIF Note	\$4,472	Matures on December 1, 2021; Interest Rate: 5.50%

Capitol Hill Towers

On December 20, 2006, the District released the \$10,000 TIF Note of the Capitol Hill Towers from escrow. The note was fully repaid on December 15, 2013.

Verizon Center

In December 2007, the District issued \$50,000 in taxable

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

financing notes to finance upgrades at the Verizon Center. The 2007A Note was issued in the amount of \$43,570 at a fixed interest rate of 6.73% and matures on August 15, 2047. The 2007B note was issued in the amount of \$6,430 at a fixed interest rate of 6.58% with a maturity date of August 15, 2027. These notes are a special limited obligation of the District and are secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at the Verizon Center. In the event such taxes are not sufficient, the notes are further secured by incremental tax revenues from the Downtown TIF Area, which are subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance the Mandarin Oriental Hotel.

Waterfront Arts Project

The Waterfront Arts Project TIF Note was issued in May 2009 for \$10,000 to help finance the expansion of the Arena Stage. The TIF Note is to be paid in a lump sum on May 8, 2014, from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 4.66%.

Great Streets Retail Priority Areas

In September 2009, the Mayor executed the first Great Streets TIF, the Georgia Avenue Retail Project Great Streets TIF Note in the amount of approximately \$1,935. The interest rate on the Note is 5.00%. The Note has a maturity date of June 1, 2035.

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

D. PAYMENT-IN-LIEU OF TAXES REVENUE NOTES

PILOT Revenue Notes are non-recourse to the District and do not constitute a pledge of or involve the faith and credit or taxing power of the District. Accordingly, such notes are not obligations of the District and are not reported as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2013.

Table N23 presents a summary of the original amounts of the PILOT Revenue Notes.

Table N23 – PILOT Revenue Notes

Issuance Date	Description	Dollar Value Amount (in \$000s)	Terms/Other Comments
August 2011	Rhode Island Metro Plaza Project, Series 2010	\$ 7,200	Matures on September 30, 2032; Interest Rate: 5.78%
August 2010	Foundry Lofts Project Series 2010	\$ 5,660	Matures on January 1, 2038; Interest Rate: 5.16% per annum

Rhode Island PILOT Note

In August 2011, the Mayor executed a revised PILOT Revenue Note for the Rhode Island Metro Plaza Project, in the amount of \$7,200. The note will mature on September 30, 2032 and has an interest rate of 5.78%. The note is to be repaid from PILOT revenues from the Rhode Island PILOT Area.

Southeast Federal Center PILOT Program (Foundry Lofts Project)

In August 2010, the Mayor executed the first PILOT note under the Southeast Federal Center PILOT Program, for the Foundry Lofts Project. The note, in the amount of \$5,660, bears interest at 5.16% and will mature on January 1, 2038. The note is to be repaid from PILOT revenues from the project. If such PILOT revenues are insufficient to pay the principal and interest on the note when due, the payment shortfall will not constitute a default. However, if the PILOT revenues are sufficient to pay the principal and interest on the note when due, the District must pay the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

NOTE 7. SHORT TERM LIABILITIES

TAX REVENUE ANTICIPATION NOTES

The District issued \$675,000 in Tax Revenue Anticipation Notes (TRANs) on October 23, 2012. 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. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs in anticipation of the collection or receipt of revenues for an ensuing fiscal year. Operational and other costs are

covered by the proceeds from the TRANs until periodic taxes, grants, and other revenues are received. These notes, which were issued as fixed-rate notes with an interest rate of 2.00%, matured on September 30, 2013 and the District paid the notes in their entirety by the statutorily required deadline of September 30, 2013.

Table N24- Changes in Short-Term Liabilities

Account	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
Governmental Activities				
Tax Revenue Anticipation Notes	\$ -	\$ 675,000	\$ 675,000	\$ -

NOTE 8. LONG-TERM LIABILITIES**A. LONG TERM LIABILITIES OUTSTANDING**

Long-Term liabilities for the District's governmental activities and the business-type activities for the year ended September 30, 2013 are presented in Table N25:

Table N25 – Summary of Long-Term Liabilities Outstanding at September 30, 2013**Governmental Activities:**

	<u>Outstanding</u>
General Obligation (GO) Bonds:	
Series 1994B, issued July 21, 1994, in the amount of \$207,900, maturity date: June 1, 2014, interest rates ranging from 5.30% to 6.65%	\$ 5,805
Series 1998B, issued on April 16, 1998, in the amount of \$451,635, maturity date: June 1, 2021, interest rates ranging from 4.50% to 6.00%	64,015
Series 2004B, issued on December 8, 2004, in the amount of \$38,250, maturity date: June 1, 2020, interest rate: MUNI-CPI Rate	38,250
Series 2005A, issued December 1, 2005, in the amount of \$331,210, to finance capital projects expenditures and pay the costs and expenses of issuing and delivering the bonds, maturity date: June 1, 2030, average interest rate of 5.00%	5,695
Series 2005B, issued December 15, 2005, in the amount of \$116,475, to redeem or defease a portion of the District's outstanding general obligation bonds (Series 1994, 1997A, 1998A, 1998B and 2001B) and to pay the costs and expenses of issuing and delivering the Series 2005B Bonds; maturity date: June 1, 2027; interest rates ranging from 4.00% to 5.25%	82,120
Series 2007A, issued June 1, 2007, in the amount of \$576,475, to finance capital project expenditures and pay the costs and expenses of issuing and delivering the bonds, maturing on June 1, 2036, interest rates ranging from 3.00% to 4.75%	576,475
Series 2007B, issued June 7, 2007, in the amount of \$251,155, to redeem or defease a portion of the District's outstanding general obligation bonds (Series 2001B, 2003A, 2003B, and 2005A) and pay the costs and expenses of issuing and delivering the Series 2007B Bonds; maturity date: June 1, 2030; interest rates ranging from 4.50% to 5.25%	251,155
Series 2007C, issued on December 19, 2007, in the amount of \$333,840, to finance capital projects expenditures and pay the costs and expenses of issuing and delivering the Series 2007C Bonds, maturity date: June 1, 2033, interest rates ranging from 4.00% to 5.00%	283,805
Series 2008A, issued May 21, 2008, in the amount of \$60,000, to redeem a portion of the outstanding general obligation bonds (Series 2002A-1, 2002A-2, 2002B-1, 2002B-2, 2004C-1, 2004C-2 and 2004C-3) and pay the costs and expenses of issuing and delivering the Series 2008 Bonds and other related bond financings; maturity date: June 1, 2034; variable rate direct purchase bonds bearing interest at a weekly rate	59,940
Series 2008C, issued May 21, 2008, in the amount of \$224,300; to redeem a portion of the outstanding general obligation bonds (Series 2002A-1, 2002A-2, 2002B-1, 2002B-2, 2004C-1, 2004C-2 and 2004C-3) and pay the costs and expenses of issuing and delivering the Series 2008 Bonds and other related bond financings; maturity date: June 1, 2027; variable rate direct purchase bonds bearing interest at a monthly rate	224,300

NOTE 8. LONG - TERM LIABILITIES**Outstanding**

Series 2008D, issued May 21, 2008, in the amount of \$114,205, to redeem a portion of the outstanding general obligation bonds (Series 2002A-1, 2002A-2, 2002B-1, 2002B-2, 2004C-1, 2004C-2 and 2004C-3) and pay the costs and expenses of issuing and delivering the Series 2008 Bonds and other related bond financings; maturity date: June 1, 2034, variable rate direct purchase bonds bearing interest at a weekly rate 104,950

Series 2008E, issued on August 27, 2008, in the amount of \$327,905, to finance capital project expenditures and pay the costs and expenses of issuing and delivering the Series 2008E Bonds, maturity date: June 1, 2033, interest rates ranging from 4.00% to 5.00% 268,830

Series 2008F, issued on August 27, 2008, in the amount of \$151,615, to refund \$150,585 of outstanding 1998A and 1998B Bonds and pay the costs and expenses of issuing and delivering the Series 2008F Bonds; maturity date: June 1, 2025; interest rates ranging from 300% to 5.00% 127,410

Series 2010A, Build America Bonds, issued December 22, 2010, in the amount of \$181,330, to finance capital projects expenditures and pay the costs and expenses of issuing and delivering the Series 2010A Bonds, maturing on June 1, 2023; interest ranging from 1.91% to 5.92% 152,435

Total General Obligation Bonds **\$ 2,245,185**

Qualified Zone Academy Bonds:

Qualified Zone Academy Bonds, issued December 21, 2001, in the amount of \$4,665, maturing on December 1, 2015 \$ 768

Qualified Zone Academy Bonds, issued December 28, 2005, in the amount of \$3,191, maturing on December 28, 2020 1,420

Qualified Zone Academy Bonds, issued May 29, 2008, in the amount of \$2,360, maturing on December 1, 2017 1,180

Qualified Zone Academy Bonds, issued June 30, 2010, in the amount of \$4,140, maturing on December 1, 2024 3,314

Total Qualified Zone Academy Bonds **\$ 6,682**

Income Tax Secured Revenue Bonds:

Series 2009A, issued in March 2009, in the amount of \$491,645, to provide funds for capital projects and pay for financing costs; maturity date: December 1, 2034; interest rates ranging from 4.00% to 5.50% \$ 458,965

Series 2009B, issued in March 2009, in the amount of \$309,685, to refund outstanding debt (Series 2000A, 2000B, 2003C and 2003D general obligation bonds) and pay for financing costs; maturity date: December 1, 2029; interest rates ranging from 4.00% to 5.25% 270,165

Series 2009C, issued in September 2009, in the amount of \$270,455, to refund the District's Series 1999A and Series 1999B general obligation bonds and pay for financing costs; maturity date: December 1, 2028; interest rates ranging from 3.00% to 5.00% 173,805

NOTE 8. LONG-TERM LIABILITIES

	<u>Outstanding</u>
Series 2009D, issued in December 2009, in the amount of \$129,620, to provide funds for capital projects, pay for financing costs, and fund capitalized interest on the Series 2009D Bonds; maturity date: December 1, 2017; interest rates ranging from 2.50% to 5.00%	96,530
Series 2009E Build America Bonds, issued in December 2009, in the amount of \$501,290 to provide funds for capital projects, pay for financing costs, and fund capitalized interest on the 2009E bonds; maturity date: December 1, 2034; interest rates ranging from 4.34% to 5.591%	501,290
Series 2010A, issued in March 2010, in the amount of \$694,300, to refund the following outstanding general obligation bonds: Series 1998B, Series 1999A, Series 2001B, Series 2001C, Series 2001D, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005A, Series 2007C, Series 2008E and Series 2008F and pay for the financing costs of the Series 2010A Bonds; maturity date: December 1, 2031; interest rates ranging from 3.00% to 5.00%	694,300
Series 2010B, issued in March 2010, in the amount of \$14,040, to terminate an interest rate swap agreement related to the Series 2002D General Obligation Bonds which were refunded by the issuance of the Series 2010A Bonds and pay the costs of issuance associated with the 2010 Bonds; maturity date: December 1, 2017; interest rate of 4.053%	14,040
Series 2010D Qualified School Construction Bonds, issued in June 2010, in the amount of \$32,945, to pay for the costs of Qualified School Construction projects and financing costs, maturity date: December 1, 2026, interest rate of 4.996%	32,945
Series 2010E, issued in November 2010, in the amount of \$63,860, to refund \$63,335 of the outstanding principal amount of Income Tax Secured Revenue Refunding Bonds, Series 2010C and pay the costs and expenses of issuing and delivering the Series 2010E Bonds, maturity date: December 1, 2013, interest rate variable equal to an adjusted SIFMA rate	31,930
Series 2010F Build America Bonds, issued in December 2010, in the amount of \$342,615, to pay for costs of capital projects and the costs and expenses of issuing and delivering the Series 2010F Bonds, maturity date: December 1, 2035, interest rates ranging from 4.709% to 5.582%	342,615
Series 2011A, issued in September 2011, in the amount of \$138,470, to pay for costs of capital projects and the costs and expenses of issuing and delivering the Series 2011A Bonds, maturity date: December 1, 2036, interest rates ranging from 1.00% to 5.00%	135,815
Series 2011B-C-D-E, \$241,735, issued in November 2011 to: (a) refund: \$63,335 of the remaining outstanding principal amount of Series 2010C, Income Tax Secured Revenue Refunding Bonds; \$31,930 of Series 2010E Income Tax Secured Revenue Refunding Bonds; (b) refund GO Bonds Series 2003A and 2003B; and (c) pay the costs and expenses of issuing and delivering the Series 2011B-C-D-E Bonds; maturity dates as follows: Series 2011B (December 1, 2015), Series 2011C (December 1, 2012), Series 2011D (December 1, 2013) and Series 2011E (December 1, 2017); interest rates: variable equal to an adjusted SIFMA rate	238,220
Series 2011 F-G Bonds, \$400,720, issued in December 2011 to pay for costs of capital projects and costs and expenses of issuing and delivering the Series F-G Bonds, maturity date: December 1, 2036, interest rate ranging from 2.00% to 5.00%	391,190
Series 2012A-B Bonds, \$314,110, issued in May 2012 to refund a portion of the District's GO Bonds, Series 2002C, 2004A and 2005A and pay the costs and expenses of issuing and delivering the Series 2012A-B Bonds, maturity date: December 1, 2027, interest rate ranging from 2.00% to 5.00%	300,095

NOTE 8. LONG – TERM LIABILITIES**Outstanding**

Series 2012C-D Bonds, \$775,770, issued November 28, 2012, to pay costs associated with capital projects, bond issuance costs, and refund the outstanding PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollburg Public Improvement Issue), interest rates ranging from 2.00% to 5.00%, maturity date: December 1, 2037

775,770**Total Income Tax Secured Revenue Bonds****\$ 4,457,675****Tobacco Settlement Asset-Backed Bonds:**

Series 2001, issued on February 1, 2001, in the amount of \$521,105, final maturity on May 15, 2040, interest rate ranging from 5.2% to 6.75%

\$ 399,195

Series 2006, issued on August 30, 2006, in the amount of \$248,264, final maturity on June 15, 2055, interest rate ranging from 6.25% to 7.25%

248,264**Total Tobacco Settlement Asset-Backed Bonds****\$ 647,459****Tax Increment Financing (TIF) Bonds:**

Tax Increment Revenue Refunding Bonds (Gallery Place Project, Series 2012), issued on June 21, 2012, in the amount of \$52,365 to: (a) refund the Gallery Place Project Tax Increment Revenue Bonds, Series 2002 and (b) pay the costs and expenses of issuing and delivering the Series 2012 Bonds; interest rates ranging from 3.00% to 5.00% with yields ranging from 0.75% to 3.96%, final maturity: June 1, 2031

\$ 50,455

Mandarin Oriental Hotel TIF Bonds, issued on April 1, 2002, in the amount of \$45,995, interest rate yields ranging from 4.26% to 5.48%, final maturity: July 1, 2022

19,677

City Market at O Street TIF Bonds, issued on November 17, 2011, in the amount of \$38,650, final maturity: June 1, 2041, interest rate ranging from 3.00% to 5.125%

38,650**Total Tax Increment Financing (TIF) Bonds****\$108,782****Ballpark Revenue Bonds:**

Series 2006A, issued May 15, 2006, \$154,835 (Taxable) to finance a portion of the cost of construction of the District's baseball stadium, interest rate ranging from 5.958% to 6.165% with a yield of 5.33%; maturity date: February 1, 2036

\$ 154,295

Series 2006B, issued May 15, 2006, \$379,665 (Tax-Exempt) to finance a portion of the cost of construction of the District's baseball stadium, interest rate ranging from 4.00% to 5.50% with yield of 5.33% on Series 2006B-1 and variable for Series 2006B-2, maturity date: February 1, 2036

347,960**Total Ballpark Revenue Bonds****\$ 502,255****Federal Highway Grant Anticipation Revenue Bonds (GARVEE):**

Series 2011, issued February 16, 2011, in the amount of \$82,610, to: (a) finance a portion of the 11th Street Bridge Project, (b) pay certain costs of issuing the Series 2011 Bonds, and (c) fund the Senior Lien Bonds Debt Service Reserve Subaccount, interest rates ranging from 2.00% to 5.25%, maturity date: December 1, 2025

\$ 74,635

NOTE 8. LONG-TERM LIABILITIES**Outstanding**

Series 2012, issued October 10, 2012, in the amount of \$42,935, to: (a) finance Phase II of the 11th Street Bridge Project; and (b) pay costs of issuing the Series 2012 Bonds, interest rates ranging from 2.00% to 5.00%, maturity date: December 1, 2027 42,935

Total Federal Highway Grant Anticipation Revenue Bonds (GARVEE) \$ 117,570

Deed Tax Revenue Bonds (Housing Production Trust Fund Program):

Series 2007A, issued on May 31, 2007, in the amount of \$34,105, to finance, refinance and reimburse a portion of the costs of redeveloping, constructing, acquiring, furnishing and equipping the Northwest One New Communities Project and pay the costs of issuance of the Series 2007A Bonds; interest rates ranging from 4.00% to 5.00%, maturity date: June 1, 2037 \$ 30,535

Series 2010A-B-C, issued on August 24, 2010, in the amount of \$53,190 to: (a) finance, refinance and reimburse a portion of the costs of the New Communities Initiative, (b) satisfy the debt service reserve requirement, and (c) pay costs of issuance of the Series 2010 Bonds; interest rates 5.00% (Series 2010A), maturing on June 1, 2040; ranging from 3.50% to 5.00% (Series 2010B), maturing on June 1, 2032; and 3.39% (Series 2010C), maturing on June 1, 2014. 50,685

Series 2012A-B, issued on December 6, 2012, in the amount of \$39,586 to: (a) fund portions of the New Communities Projects, (b) fund a deposit to the Debt Service Reserve Fund, and (c) pay cost of issuing the Series 2012 Bonds; interest rates ranging from 3.00% to 5.00%, maturity date: June 1, 2042 39,230

Total Deed Tax Revenue Bonds (Housing Production Trust Fund Program) \$ 120,450

National Capital Revitalization Corporation Revenue Bonds:

Issued on February 15, 2006, in the amount of \$46,900 to finance the development and acquisition of a 1,000-space underground parking garage attached to the DC USA retail project, variable interest rate based on 70% of LIBOR plus 1.50%, due and payable on February 1, 2024 \$ 4,997

Total National Capital Revitalization Corporation Revenue Bonds \$ 4,997

PILOT Revenue Bonds and Notes:

Anacostia Waterfront Corporation (AWC) PILOT Revenue Bonds, issued in September 2007, in the amount of \$111,550, to finance, refinance and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River waterfront, interest rate 4.463%, maturity date: December 1, 2021 \$ 77,210

Total PILOT Revenue Bonds and Notes \$ 77,210

Certificates of Participation:

Issued in July 2003, in the amount of \$71,455, 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; interest rates ranging from 3.00% to 5.50%; maturity date: January 1, 2023 \$ 45,480

NOTE 8. LONG - TERM LIABILITIES**Outstanding**

Issued in May 2006, in the amount of \$211,680, to fund a portion of the cost of the design and construction of the new Saint Elizabeth's Hospital and to purchase and make improvements to the Department of Motor Vehicles building, interest rates ranging from 4.50% to 5.25%, maturity date: January 1, 2026

161,485**Total Certificates of Participation****\$ 206,965****Parks and Recreation Notes:**

Executed on December 31, 2009 with the Boys and Girls Club of Greater Washington, to finance the acquisition of the following real property: (1) Frank R. Jelleff Branch property; (2) Mary & Daniel Loughran Clubhouse #10; and (3) Eastern Branch; payment schedule: \$7.5 million at settlement and \$3.125 million on October 1 beginning in 2010 and ending 2013

\$ 3,125**Total Parks and Recreation Notes****\$ 3,125****Other Loans Payable:**

Executed on May 14, 2010, a 20-year financing agreement with S/C 225 Virginia Avenue, LLC, to finance costs for the construction of improvements to the building located at 200 I Street. Agreement requires annual payments of \$9,274 be paid by the District

\$ 98,283**Total Other Loans Payable****\$ 98,283****Other Long-Term Liabilities:**

Premium on long-term debt	\$446,370
Equipment financing program	113,817
Accreted interest	161,526
Capital leases	11,024
Annual leave	152,103
Disability compensation	129,251
Grant disallowances	77,853
Claims and judgments	207,481
Verizon	4,494
OPEB liability	9,906

Total Other Long-Term Liabilities**\$1,313,825****Total Long-Term Liabilities – Governmental Activities****\$ 9,910,463****Business-type Activities:****Outstanding**

Obligation for unpaid prizes, D.C. Lottery and Charitable Games Control Board

\$ 10,200**Total Long-Term Liabilities – Business-Type Activities****\$ 10,200**

NOTE 8. LONG-TERM LIABILITIES**B. ANNUAL DEBT SERVICE REQUIREMENTS**

Tables N26 through N37 present annual debt service requirements to maturity for the District's outstanding long-term liabilities at September 30, 2013:

Table N26 – Debt Service Requirements to Maturity – General Obligation Bonds

Year Ending September 30	General Obligation Bonds		
	Principal	Interest	Total
2014	\$ 49,675	\$ 110,911	\$ 160,586
2015	89,880	93,767	183,647
2016	119,630	95,996	215,626
2017	105,265	90,408	195,673
2018	95,770	85,340	181,110
2019 - 2023	524,650	351,811	876,461
2024 - 2028	392,940	243,931	636,871
2029 - 2033	484,795	161,760	646,555
2034 - 2037	382,580	45,597	428,177
Total	\$ 2,245,185	\$ 1,279,521	\$ 3,524,706

Table N27 – Debt Service Requirements to Maturity – Qualified Zone Academy Bonds

Year Ending September 30	Principal
2014	\$ 946
2015	946
2016	946
2017	690
2018	690
2019-2023	1,913
2024-2025	551
Total	\$ 6,682

Table N28 – Debt Service Requirements to Maturity– Income Tax Secured Revenue Bonds

Year Ending September 30	INCOME TAX SECURED REVENUE BONDS		
	Principal	Interest	Total
2014	\$ 148,120	\$ 208,316	\$ 356,436
2015	121,095	203,216	324,311
2016	88,105	202,583	290,688
2017	103,215	198,429	301,644
2018	152,800	192,809	345,609
2019 - 2023	885,170	852,386	1,737,556
2024 - 2028	1,284,005	588,984	1,872,989
2029 - 2033	1,063,045	280,536	1,343,581
2034 - 2038	612,120	57,059	669,179
Total	\$ 4,457,675	\$ 2,784,318	\$ 7,241,993

Table N29 – Debt Service Requirements to Maturity – Tobacco Settlement Asset-Backed Bonds

Year Ending September 30	Tobacco Bonds		
	Principal	Interest	Total
2014	\$ 19,060	\$ 26,279	\$ 45,339
2015	18,980	25,119	44,099
2016	20,765	23,933	44,698
2017	22,740	22,594	45,334
2018	23,600	21,116	44,716
2019 - 2023	147,805	79,719	227,524
2024 - 2028	146,245	22,769	169,014
2044 - 2048	159,733	1,697,592	1,857,325
2054 - 2058	88,531	2,478,469	2,567,000
Total	\$ 647,459	\$ 4,397,590	\$ 5,045,049

Table N30 – Debt Service Requirements to Maturity – Gallery Place TIF Bonds

Year Ending September 30	Gallery Place		
	Principal	Interest	Total
2014	\$ 1,825	\$ 2,484	\$ 4,309
2015	1,900	2,413	4,313
2016	1,975	2,337	4,312
2017	2,075	2,238	4,313
2018	2,180	2,134	4,314
2019-2023	12,635	8,923	21,558
2024-2028	16,125	5,432	21,557
2029-2031	11,740	1,193	12,933
Total	\$ 50,455	\$ 27,154	\$ 77,609

NOTE 8. LONG – TERM LIABILITIES**Table N31 – Debt Service Requirements to Maturity – Mandarin Oriental Hotel TIF Bonds**

Year Ending September 30	Mandarin Oriental Hotel		
	Principal	Interest	Total
2014	\$ 2,148	\$ 2,356	\$ 4,504
2015	2,014	2,495	4,509
2016	1,878	2,626	4,504
2017	1,761	2,744	4,505
2018	1,650	2,859	4,509
2019-2022	10,226	7,796	18,022
Total	\$ 19,677	\$ 20,876	\$ 40,553

Table N32 – Debt Service Requirements to Maturity – City Market at O Street TIF Bonds

Year Ending September 30	City Market at O Street		
	Principal	Interest	Total
2014	\$ -	\$ 1,877	\$ 1,877
2015	-	1,877	1,877
2016	220	1,877	2,097
2017	300	1,871	2,171
2018	350	1,862	2,212
2019-2023	3,200	9,060	12,260
2024-2028	6,770	8,018	14,788
2029-2033	8,665	6,218	14,883
2034-2038	11,060	3,820	14,880
2039-2041	8,085	843	8,928
Total	\$ 38,650	\$ 37,323	\$ 75,973

Table N33 - Debt Service Requirements to Maturity – Ballpark Revenue Bonds

Year Ending September 30	Ballpark Bonds		
	Principal	Interest	Total
2014	\$ 6,835	\$ 25,899	\$ 32,734
2015	7,685	25,531	33,216
2016	8,550	25,418	33,968
2017	9,525	24,952	34,477
2018	10,535	24,442	34,977
2019-2023	70,105	112,480	182,585
2024-2028	107,035	89,589	196,624
2029-2033	156,890	55,011	211,901
2034-2036	125,095	10,094	135,189
Total	\$ 502,255	\$ 393,416	\$ 895,671

Table N34 – Debt Service Requirements to Maturity – Federal Highway Grant Anticipation Revenue Bonds (GARVEE)

Year Ending September 30	Federal Highway Grant Anticipation Revenue Bonds		
	Principal	Interest	Total
2014	\$ 6,460	\$ 5,303	\$ 11,763
2015	6,715	5,053	11,768
2016	6,975	4,795	11,770
2017	7,250	4,523	11,773
2018	7,550	4,222	11,772
2019-2023	43,370	15,474	58,844
2024-2028	39,250	4,035	43,285
Total	\$ 117,570	\$ 43,405	\$ 160,975

Table N35 – Debt Service Requirements to Maturity – Deed Tax Revenue Bonds (Housing Production Trust Fund Program)

Year Ending September 30	Housing Production Trust		
	Principal	Interest	Total
2014	\$ 2,395	\$ 5,429	\$ 7,824
2015	2,490	5,339	7,829
2016	2,600	5,222	7,822
2017	2,725	5,100	7,825
2018	2,850	4,972	7,822
2019-2023	16,450	22,681	39,131
2024-2028	20,780	18,336	39,116
2029-2033	25,785	13,328	39,113
2034-2038	29,830	7,143	36,973
2039-2042	14,545	1,316	15,861
Total	\$ 120,450	\$ 88,866	\$ 209,316

Table N36 – Debt Service Requirements to Maturity – National Capital Revitalization Corporation Revenue Bonds

Year Ending September 30	National Capital Revitalization Corporation		
	Principal	Interest	Total
2014	\$ 3,905	\$ 52	\$ 3,957
2015	1,092	13	1,105
Total	\$ 4,997	\$ 65	\$ 5,062

Note: All NCRC bonds are scheduled for early redemption in February 2014.

NOTE 8. LONG-TERM LIABILITIES**Table N37 – Debt Service Requirements to Maturity – Anacostia Waterfront Corporation PILOT Revenue Bonds**

Year Ending September 30	Anacostia Waterfront Corporation		
	Principal	Interest	Total
2014	\$ 7,180	\$ 3,368	\$ 10,548
2015	7,510	3,044	10,554
2016	7,845	2,705	10,550
2017	8,200	2,351	10,551
2018	8,570	1,980	10,550
2019-2022	37,905	3,771	41,676
Total	\$ 77,210	\$ 17,219	\$ 94,429

Tables N38 and N39 present annual debt service requirements to maturity for the District's Certificates of Participation at September 30, 2013:

Table N38 - Debt Service Requirements to Maturity – Public Safety Communications Center Certificate of Participation (COP)

Public Safety Communications & Related Technology Center COP			
Year Ending September 30	Principal	Interest	Total
2014	\$ 3,545	\$ 2,256	\$ 5,801
2015	3,720	2,082	5,802
2016	3,930	1,872	5,802
2017	4,150	1,650	5,800
2018	4,385	1,415	5,800
2019-2023	25,750	3,253	29,003
Total	\$ 45,480	\$ 12,528	\$ 58,008

Table N39 - Debt Service Requirements to Maturity – St. Elizabeth's Hospital/Department of Motor Vehicles Building Certificate of Participation (COP)

St Elizabeth/DMV Building COP			
Year Ending September 30	Principal	Interest	Total
2014	\$ 9,015	\$ 7,804	\$ 16,819
2015	9,500	7,318	16,818
2016	10,015	6,805	16,820
2017	10,555	6,265	16,820
2018	11,110	5,711	16,821
2019-2023	64,425	19,676	84,101
2024-2026	46,865	3,593	50,458
Total	\$ 161,485	\$ 57,172	\$ 218,657

Table N40 - Debt Service Requirements to Maturity – Parks and Recreation Notes

Parks and Recreation Notes			
Year Ending September 30	Principal	Interest	Total
2014	\$ 3,125	\$ -	\$ 3,125
Total	\$ 3,125	\$ -	\$ 3,125

Table N41 - Debt Service Requirements to Maturity – Other Loans Payable

225 Virginia Avenue, LLC			
Year Ending September 30	Principal	Interest	Total
2014	\$ 2,723	\$ 6,550	\$ 9,273
2015	2,913	6,361	9,274
2016	3,116	6,158	9,274
2017	3,333	5,941	9,274
2018	3,565	5,709	9,274
2019-2023	21,910	24,458	46,368
2024-2028	30,676	15,692	46,368
2029-2033	30,047	3,956	34,003
Total	\$ 98,283	\$ 74,825	\$ 173,108

NOTE 8. LONG - TERM LIABILITIES**Table N42 – Debt Service Requirements to Maturity – Equipment Financing Program**

Year Ending September 30	Principal	Interest	Total
2014	\$ 40,644	\$ 2,305	\$ 42,949
2015	32,216	1,350	33,566
2016	23,533	661	24,194
2017	12,707	250	12,957
2018	4,717	50	4,767
Total	\$ 113,817	\$ 4,616	\$ 118,433

Table N43 presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2013. These amounts assume that current interest rates on variable rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net receipts/payments on the hedging derivative instruments will vary. Information on the District's derivative instruments is presented in Note 2, found on page 78.

Table N43 – Aggregate Debt Service Requirements and Net Receipts/Payments on Hedging Derivative Instruments

Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2014	\$ 16,315	\$ 3,419	\$ 11,146	\$ 30,880
2015	17,100	3,059	10,762	30,921
2016	17,910	2,682	10,353	30,945
2017	8,200	2,268	9,926	20,394
2018	8,570	2,205	9,619	20,394
2019-2023	150,965	7,756	37,339	196,060
2024-2028	120,700	1,886	10,751	133,337
Total	\$ 339,760	\$ 23,275	\$ 99,896	\$ 462,931

NOTE 8. LONG-TERM LIABILITIES**C. LONG TERM DEBT ACTIVITY DURING FISCAL YEAR 2013**

Table N44 presents long-term debt activity for the year ended September 30, 2013:

Table N44 – Long Term Debt Activity

	September 30, 2012	Additions	Reductions	September 30, 2013	Due Within One Year
Governmental activities:					
General obligation bonds (including QZAB)	\$ 2,302,853	\$ -	\$ (50,986)	\$ 2,251,867	\$ 50,621
Income tax secured revenue bonds	3,799,645	775,770	(117,740)	4,457,675	148,120
Tobacco settlement asset-backed bonds	677,219	-	(29,760)	647,459	19,060
Tax increment financing bonds	112,985	-	(4,203)	108,782	3,973
Ballpark revenue bonds	507,935	-	(5,680)	502,255	6,835
Federal highway grant anticipation revenue bonds (GARVEE)	78,775	42,935	(4,140)	117,570	6,460
Deed tax revenue bonds (housing production trust fund program)	82,805	39,586	(1,941)	120,450	2,395
National capital revitalization corporation revenue bonds	14,839	-	(9,842)	4,997	3,905
PILOT revenue bonds and notes (AWC and capper)	113,085	-	(35,875)	77,210	7,180
Certificates of participation	218,935	-	(11,970)	206,965	12,560
Parks and recreation notes	6,250	-	(3,125)	3,125	3,125
Other loans payable	100,829	-	(2,546)	98,283	2,723
Premium on long-term debt	319,369	154,681	(27,680)	446,370	38,925
Equipment financing program	119,523	41,016	(46,722)	113,817	40,644
Accreted interest	165,064	-	(3,538)	161,526	-
Capital leases	18,972	-	(7,948)	11,024	2,862
Annual leave	148,378	15,758	(12,033)	152,103	132,998
Disability compensation	135,046	5,738	(11,533)	129,251	-
Grant disallowances	70,000	7,853	-	77,853	-
Claims and judgments	135,084	99,116	(26,719)	207,481	-
Verizon	4,494	-	-	4,494	-
OPEB liability	32,206	-	(22,300)	9,906	-
Total long-term liabilities	<u>\$ 9,164,291</u>	<u>\$ 1,182,453</u>	<u>\$ (436,281)</u>	<u>\$ 9,910,463</u>	<u>\$ 482,386</u>
Business-type activities:					
Obligation for unpaid prizes	<u>\$ 16,381</u>	<u>\$ 506</u>	<u>\$ (6,687)</u>	<u>\$ 10,200</u>	<u>\$ 4,010</u>

New Bond Issuances

On December 6, 2012, the District issued \$22,396 in Deed Tax Revenue Bonds, Series 2012A and \$17,190 in Deed Tax Revenue Bonds, Series 2012B (together the Series 2012 Bonds). These bonds were issued to: (i) provide funds to finance, refinance, or reimburse the costs of activities associated with the New Communities Projects; (ii) fund a deposit to the Debt Service Reserve Fund; and (iii) pay certain costs of issuance associated with the Series 2012 Bonds. The Series 2012 Bonds are payable from and secured by a pledge of the Trust Estate, which includes pledged revenues. Pledged revenues include the amounts of the Allocated Fund that were received by the trustee and any other monies transferred by the District to the trustee and deposited in the Revenue Fund held by the trustee. The Allocated Fund is the segregated sub-account of the Housing Production Trust

Fund established by the Housing Production Trust Fund Act of 1988 (D.C. Law 7-202; D.C. Official Code § 42-2801 et seq.) as amended, that collects and holds the following deposits received each fiscal year: (i) 15% of the Real Property Transfer tax imposed by D.C. Official Code; and (ii) 15% of the Deed Recordation Tax imposed by D.C. Official Code § 42-1103. The Series 2012 Bonds were issued with interest rates ranging from 3.00% to 5.00%, payable semi-annually on June 1 and December 1 of each year. Such payments began on June 1, 2013.

On November 28, 2012, the District issued \$750,765 in Income Tax Secured Revenue Bonds, Series 2012C and \$25,005 in Income Tax Secured Revenue Refunding Bonds, Series 2012D, together the 2012C-D Bonds. These Bonds were issued as Senior Bonds, the proceeds of which were used to: (i) pay and/or reimburse the District for costs of capital projects, (ii) pay the costs and

NOTE 8. LONG – TERM LIABILITIES

expenses of issuing and delivering the Series 2012C-D Bonds, and (iii) currently refund the District's outstanding 4.00% PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvement Issue), Series 2010. The Series 2012C-D Bonds were issued with interest rates ranging from 2.00% to 5.00%, and are payable semi-annually on June 1 and December 1, commencing on June 1, 2013. These bonds are special obligations of the District payable solely from the Trust Estate pledged under the Master Indenture. The Bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District, do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law.

On October 10, 2012, the District issued \$42,935 in Federal Highway Grant Anticipation Revenue Bonds, Series 2012. These bonds were issued to: (i) finance a portion of the costs of Phase II of the project to replace the twin 11th Street Bridges over the Anacostia River and improve the interchanges at either end, and (ii) pay certain costs of issuing the Series 2012 Bonds. The Series 2012 Bonds were issued with interest rates ranging from 2.00% to 5.00%, and are payable semi-annually on June 1 and December 1 of each year. Payments commenced on June 1, 2013. The Bonds are special obligations of the District, payable solely from revenues specifically pledged under the associated indenture. The District has neither pledged nor agreed to use any District revenues, taxes, or other monies to repay the Bonds other than federal transportation funds.

Interest Rates on General Obligation Bonds and Income Tax Secured Revenue Bonds

The weighted average interest rate on the District's outstanding fixed-rate bonds was 4.978% in fiscal year 2013. The weighted average interest rate on the District's variable rate bonds for fiscal year 2013 was 0.640%.

Pledged Tax Revenues for Debt Service on Income Tax Secured Revenue Bonds

During fiscal year 2013 the District collected \$2,094,179 in Income and Business Franchise Taxes. Of this amount, \$391,156, or 18.7%, was held in the Fund for the payment of debt service on outstanding Income Tax Secured Revenue Bonds in fiscal year 2014. The anticipated debt service amount for fiscal year 2014 is \$356,436. Therefore, total available tax revenues collected and set aside in the Fund in fiscal year 2013 covers the total amount of anticipated debt service for fiscal year 2014 as presented below:

**Available Tax Revenues Collected
in FY2013**

Individual Income	\$ 1,640,899
Business Franchise	453,280
Total	<u>\$ 2,094,179</u>

Amount Held in Escrow for
FY 2014 Debt Service (a) \$ 391,156

FY 2014 Debt Service
Amount (b) \$ 356,436

Rate of Coverage (c)=(a)/(b) 110%

In fiscal year 2013, debt service on the Income Tax Secured Revenue Bonds totaled \$311,638. The debt service coverage ratio was 6.72 to 1: Total available taxes of \$2,094,179, divided by FY 2013 debt service of \$311,638.

Refundings and Bond Defeasances

On November 28, 2012, the District issued \$25,005 in Income Tax Secured Revenue Refunding Bonds, Series 2012D. The proceeds of the Series 2012D Bonds and the \$4,057 premium were used to currently refund the District's outstanding principal of \$28,929 of the 4.00% PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvement Issue), Series 2010. This transaction represented permanent financing, and thus, the District realized no economic gain as a result of this refunding.

In prior years, the District defeased certain bond issues by issuing refunding bonds. Defeased debt outstanding does not constitute a debt of the District because the net proceeds from the issuance of the refunding bonds have been deposited in an irrevocable trust with an escrow agent to provide debt service payments until the defeased bonds are fully called.

As of September 30, 2013, the total amount of defeased debt outstanding held by the escrow agent was \$596,585. This amount has been removed from the government-wide financial statements.

NOTE 8. LONG TERM LIABILITIES**General Obligation Direct Purchase Bond Program**

On October 25, 2012, the District converted its outstanding Series 2008 General Obligation Variable Rate Demand Obligations (VRDO), substituting the direct-pay letters of credit with direct purchase obligations. The bonds remain in variable rate mode with the Series 2008A and Series 2008D Bonds issued in SIFMA Index mode and the Series 2008C Bonds in LIBOR Index mode as authorized under the Sixth and Seventh Supplemental

Trust Indentures, respectively. The Sixth and Seventh Supplemental Indentures are by and between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated October 1, 2012. Each series has an initial put date by the purchaser of October 26, 2015, as well as additional term out provisions.

Table N45 provides an overview for each of the Series 2008 direct purchase obligation refunding(s).

Table N45 – General Obligation Direct Purchase Bonds

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2008A	\$ 59,940	6/1/2034	7-Day Reset / Monthly Pay	Citibank, N.A.	10/25/2012	10/26/2015
2008C-1	\$ 67,195	6/1/2027	Monthly Reset / Monthly Pay	Wells Fargo Bank, N.A.	10/25/2012	10/26/2015
2008C-2	\$ 157,105	6/1/2027	Monthly Reset / Monthly Pay	Wells Fargo Bank, N.A.	10/25/2012	10/26/2015
2008D	\$ 104,950	6/1/2034	7-Day Reset / Monthly Pay	Citibank, N.A.	10/25/2012	10/26/2015
Total	\$ 389,190					

D. OTHER LONG-TERM LIABILITIES**Equipment Financing Program**

The District began its Master Equipment Lease Purchase Program in 1998 as a means of providing tax-exempt financing for assets with short-term to intermediate-term useful lives. District agencies use this program to procure 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.

As of September 30, 2013, the District had financed approximately \$469 million of its capital equipment needs through the Master Equipment Lease Purchase Program, and had approximately \$114 million in principal outstanding. Payments are made on a quarterly basis. During the year, the average interest rate used to finance equipment through this program was 1.94%.

Obligation for Unpaid Prizes

The D.C. 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, 2013, MUSL purchased for the Lottery, U.S. government securities totaling \$10,522 to fund future installment payments to winners.

The market value of these securities at September 30, 2013, was \$10,200. 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 position.

E. COMPONENT UNITS**Washington Convention and Sports Authority (WCSA)**

On September 28, 1998, WCSA (formerly the Washington Convention Center Authority) issued \$524,500 in Senior Lien Dedicated Tax Revenue Refunding Bonds (Series 1998A bonds) to finance the construction of the new Washington Convention Center.

On February 1, 2007, WCSA issued \$492,500 of

NOTE 8. LONG TERM LIABILITIES

refunding bonds, Series 2007A Bonds, to refund the Series 1998A Bonds. The refunding bonds have maturities ranging from October 1, 2008 to October 1, 2036 and interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to advance refund all of the Series 1998A Bonds in the aggregate principal amount of \$480,600. As a result, the refunded bonds were considered defeased and the liabilities for those were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was \$10,000.

Between June 2006 and July 2009, the Council passed a series of legislative Acts, which authorized the financing, construction and development of a privately owned and operated headquarters hotel for the Convention Center.

In October 2010, WCSA issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with face value of \$249,200, with maturities ranging from October 2015 to October 2040, at interest rates ranging from 3.1% to 7.0%. The proceeds are to be used to fund as needed a portion of the costs of acquiring, developing, constructing, and equipping the Convention Center Hotel project. A portion of the proceeds was also used to defease to the earliest optional redemption date that portion of WCSA's outstanding senior lien dedicated tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of \$25,400. In addition, net proceeds from the issuance of the Series 2010 Bonds was used to purchase U.S. government securities which were deposited in an irrevocable trust to provide debt service payments until the Series 2007A bonds are called or mature. Consequently, the aggregate principal amount of \$25,400 from Series 2007A Bonds is considered to be defeased and therefore has been removed as a liability from WCSA's financial statements.

Table N46 presents the debt service requirements to maturity for principal and interest for WCSA's outstanding bonds.

Table N46 – Washington Convention and Sports Authority Debt Service Requirements to Maturity

Year Ending September 30	Washington Convention and Sports Authority		
	Principal	Interest	Total
2014	\$ 15,625	\$ 33,384	\$ 49,009
2015	18,200	32,652	50,852
2016	18,970	31,769	50,739
2017	19,835	30,838	50,673
2018	20,730	29,848	50,578
2019 - 2023	123,805	131,662	255,467
2024 - 2028	167,045	95,974	263,019
2029 - 2033	151,800	52,337	204,137
2034 - 2038	82,115	26,850	108,965
2039 - 2041	34,535	3,026	37,561
Subtotal	652,660	468,340	1,121,000
Less:			
Unamortized Bond Discount - Net	(7,561)	-	(7,561)
Total	\$ 645,099	\$ 468,340	\$1,113,439

Housing Finance Agency

The Housing Finance Agency (HFA) issues bonds primarily to finance the Agency's housing programs. Such bonds are collateralized by: (a) mortgage-backed securities in connection with underlying loans; (b) mortgage loans made on the related multifamily developments or single family residential mortgage loans purchased; or (c) investments of bond proceeds, debt service reserves and escrow accounts, and all revenues, mortgage payments, and recovery payments received by the Agency from investments, mortgage loans, and mortgage-backed securities in connection with the related developments.

Bonds issued by HFA are special obligations of the agency and are payable from the revenue and special funds of the applicable indentures. The bonds do not constitute debt of and are not guaranteed by the District or any program of the District. All mortgage revenue bonds for multifamily projects financed to date have been issued by the Agency as standalone pass-through financings with no direct economic recourse to the Agency as issuer.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and mortgage-backed securities. All outstanding bonds are subject to redemption at the option of HFA or the borrower, in whole or in part at any time, after certain dates, as specified in the respective bond indentures and bond resolutions, at prescribed redemption prices. The

NOTE 8. LONG TERM LIABILITIES

redemption premiums range up to 5.00%. Under the Multi-Family (Conduit Bond) Program, this option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Bond Issuances in Fiscal Year 2013

HFA did not issue any new single family bonds during fiscal year 2013. Similarly, there were no New Issue Bond Program (NIBP) bond issuances during the year. However, during fiscal years 2010 through 2013, HFA issued certain multifamily revenue bonds in a draw-down mode. Consequently, out of the total amount of bonds closed, only a portion may get drawn during any given reporting period. During fiscal year 2013, HFA issued \$41,821 in Multifamily Conduit Bonds and \$19,787 in Multifamily NIBP Bonds in draw-down mode.

For more information on HFA's long term debt activity during fiscal year 2013, refer to the Agency's separately issued financial statements for that year.

Table N47 presents the debt service requirements to maturity for principal and interest for the Housing Finance Agency's outstanding bonds.

Table N47 – Housing Finance Agency Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2014	\$ 25,019	\$ 36,197	\$ 61,216
2015	27,030	35,189	62,219
2016	20,823	34,249	55,072
2017	15,269	33,500	48,769
2018	16,013	32,767	48,780
2019-2023	92,514	151,445	243,959
2024-2028	104,297	126,669	230,966
2029-2033	147,895	98,525	246,420
2034-2038	117,488	67,249	184,737
2039-2043	137,868	38,459	176,327
2044-2048	112,235	13,407	125,642
2049-2053	20,893	1,952	22,845
2054-2058	1,375	105	1,480
Subtotal	838,719	669,713	1,508,432
Add:			
Unamortized Bond Premium - Net	2,878	-	2,878
Total	\$ 841,597	\$ 669,713	\$1,511,310

NOTE 9. RETIREMENT PROGRAMS**A. DEFINED BENEFIT PENSION PLANS**

District full-time employees receive pension benefits through the federally administered Civil Service Retirement System (CSRS), the Social Security System, or the District's retirement programs.

*Civil Service Retirement System***Plan Description**

The District contributes to the 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 programs, are covered by CSRS, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. In fiscal year 2013, there were 2,252 District employees who were covered by CSRS. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for

CSRS, which may be obtained at www.opm.gov.

Funding Policy

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 contributed 100% of the required amount to the CSRS for each of the past three fiscal years. The District's CSRS contributions for the years ended September 30, 2013, 2012, and 2011, were \$11,472, \$12,319, and \$14,554, 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 the Treasury administer this program. The authority to establish and amend policy and

NOTE 9. RETIREMENT PROGRAMS

benefit provisions rests with the President and Congress of the United States.

Funding Policy

Consistent with the Federal Insurance Contributions Act (FICA), a 6.20% Social Security tax is to be withheld from the gross salary/wages of District employees, up to but not exceeding the applicable social security wage base, which was \$113,700 (not in thousands) for 2013. 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.

Beginning January 1, 2013, Additional Medicare Tax applies to an individual's Medicare wages that exceed a threshold amount based on the taxpayer's filing status. Employers, including the District, are responsible for withholding the 0.9% Additional Medicare Tax on an individual's wages paid in excess of \$200,000 in a calendar year. An employer is required to begin withholding Additional Medicare Tax in the pay period in which wages paid to an employee in the calendar year exceed \$200,000. There is no employer match for the Additional Medicare Tax.

District contributions to the Social Security System for FICA, for the years ended September 30, 2013 and 2012, were \$68,740 and \$66,261, respectively. In addition, District contributions for Medicare for fiscal years 2013 and 2012 were \$27,729 and \$27,065, respectively.

District Retirement Programs

Plan Descriptions

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

Each plan 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. The Retirement Board issues a publicly available financial report which includes financial statements and required supplementary information for the plans. This report can be obtained from the Executive Director, District of Columbia Retirement Board, 900 7th

Street, N.W., 2nd Floor, Washington, D.C. 20001.

Funding Policy

Police and firefighter member contribution requirements are established by D.C. Code § 5-706 and requirements for District contributions 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.

Teachers contribute by salary deductions on the basis of a normal rate of contributions, which is assigned by the Program upon membership. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual gross salary, including any differential for special assignment and longevity, but excluding overtime, holiday, or military pay.

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 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 2013, 2012 and 2011, were equal to the fund's independent actuary's recommendation.

Under P. L. 105-33, as amended by P. L. 105-277 and P. L. 108-489, 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 \$495,900 for the year ended September 30, 2013, and have been reported as intergovernmental revenue. Related expenditures of \$391,761 and \$104,139 have been reported in the public safety and justice and the public education system functions, respectively.

Annual Pension Cost and Net Pension Obligation

As actuarially determined, in fiscal year 2013, the District was required to make contributions of \$6,407 to the Teachers Pension Plan and \$96,314 to the Police and Firefighters Pension Plan. The District made these required contributions totaling \$102,721 accordingly.

The District's annual pension cost and net pension obligation to these plans for fiscal year 2013 are presented in **Table N48**.

Table N49 presents three-year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

NOTE 9. RETIREMENT PROGRAMS**Table N48 - Annual Pension Cost and Net Pension Obligation**

	Teachers	Police and Firefighters
Annual required contribution (ARC)	\$6,407	\$96,314
Interest on net pension obligation	\$0	\$0
Adjustment to ARC	\$0	\$0
Annual pension cost	\$6,407	\$96,314
Contributions made	\$6,407	\$96,314
Increase (decrease) in net pension obligation	\$0	\$0
Net pension obligation beginning of year	\$0	\$0
Net pension obligation end of year	\$0	\$0

Table N49 - Three Year Trend Information

Fiscal Year Ending	Teachers			Police and firefighters		
	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation
09/30/13	\$6.4	100%	\$0	\$96.3	100%	\$0
09/30/12	\$0	N/A	\$0	\$116.7*	100%	\$0
09/30/11	\$0	N/A	\$0	\$127.2	100%	\$0

*Revised from last year.

Actuarial Methods and Assumptions

The District's Annual Required Contributions 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 was 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.

Additional information regarding the plans as of the latest actuarial valuation date is presented in **Table N50**:

Table N50 - Additional Actuarial Information (District's Retirement Funds)

Fiscal Year 2013	
Valuation date	October 1, 2012
Actuarial cost method for contributions	Entry Age Normal
Actuarial cost method for accrued liabilities	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	20 years
Asset valuation method	7-year smoothed market return
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increases:	
Police officers and fire fighters	4.75% - 9.25%
Teachers	4.45% - 8.25%
Includes inflation at	3.50%
Cost of living adjustments (COLAs)	3.50%
COLAs (for post November 10, 1996 hires)	Limited to 3.00%

NOTE 9. RETIREMENT PROGRAMS

Funded Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the Teachers', Police Officers' and Firefighters' Pension Plan was 104.9% funded. The actuarial accrued liability for benefits was \$5,137,524 and the actuarial value of assets was \$5,390,479 resulting in a negative unfunded actuarial accrued liability (UAAL), or funding excess, of (\$252,955). The covered payroll (annual payroll of active employees covered by the plan) was \$796,112 and the ratio of the UAAL to the covered payroll was -31.80%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan's assets is 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. In fiscal year 2013, there were 15,214 employees participating in the Section 401(a) plan. New hires 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 incrementally beginning after two years of service, including a one-year waiting period, and vest fully after five years of service including the one-year waiting period. Contributions and earnings are forfeited for the period of service during which the employee does not achieve incremental vesting, if separation occurs before five years of credited service. These contributions are not considered assets of the District, and the District has no further liability to this plan.

For the fiscal years ended September 30, 2013, 2012, and 2011, District contributions to the plan were \$44,884, \$44,195, and \$46,955, respectively.

This plan also covers employees of the D.C. Housing Authority, the Water and Sewer Authority, and the Health Benefit Exchange Authority, while the employees of the Housing Finance Agency, Washington Convention and

Sports Authority, the University of the District of Columbia, and the Not-for-Profit Hospital Corporation are covered under separate defined contribution plans.

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 \$17.5 (\$17.5 thousand) of their annual compensation for calendar year 2013. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) \$3 (\$3 thousand) in additional contributions; (b) \$15 (\$15 thousand) reduced by amounts contributed under this special provision in prior years; or (c) \$5 (\$5 thousand) times the number of years of service less the total elective deferrals from previous years. In addition, employees who were 50 years old or older by the end of the plan year were able to defer an additional amount as a catch up contribution. The maximum amount for such catch up contributions was \$5.5 (\$5.5 thousand) in 2013. District employees contributed \$17,449 to this annuity plan in fiscal year 2013. Contributions vest immediately and are not assets of the District.

Internal Revenue Code Section 457 Plan

The District offers its employees a deferred compensation plan (D.C. Code §47-3601) created in accordance with IRC Section 457. Employees, including teachers, were able to defer the lesser of \$17.5 (\$17.5 thousand) or 100% of includable compensation in calendar year 2013. A special catch-up provision is also available to participants that allows them to "make up" or "catch up" for prior years in which they did not contribute the maximum amount to the plan. The "catch up" limit is the lesser of: (a) twice the annual contribution limit, \$35 (\$35 thousand); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of \$5.5 (\$5.5 thousand) 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. District employees contributed \$37,216 to this plan in fiscal year 2013. Contributions are not assets of the District, and the District has no further liability to the plan.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Information on the District's Postretirement Health and Life Insurance Benefit Plan is provided below.

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 Department 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 Firefighters 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 §1-621.09 authorizes the Mayor to determine the amount of District contribution for enrollments before the beginning of each contract period. In addition, the Mayor may propose amendments to establish and/or revise benefit provisions and the Council may elect to pass the appropriate legislation. The 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
1101 4th Street, S.W., Suite 800
Washington, D.C. 20024

State Street serves as the Master Custodian for the OPEB Trust Fund and as an independent source, provides information on investment transactions, thereby confirming or disputing information provided by the Plan's investment managers.

b) Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the economic resources measurement focus and 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 District 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. The Plan's administrative costs are paid by the District.

Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Changes in Plan Net Position. Fair value of marketable securities is based on quoted market price, dealer quotes, and prices obtained from independent pricing sources. Securities for which market quotations are not readily available are valued at their fair value, as determined by the custodian under the direction of the plan or fund, with the assistance of a valuation service.

c) Funding Policy

The contribution requirements of plan members and the District are established by the Mayor and the Council of the District of Columbia. The Mayor and Council may also amend contribution requirements. 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 2013, the District contributed \$107.8 million to the plan and retiree contributions totaled \$288,940 (\$288.9 thousand). Employee contributions are not required prior to retirement to fund the plan.

Annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or police officer or firefighter annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

Covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

pays the remaining 20% plus an additional 2.5% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost of the selected health benefit plan for covered family members of the annuitant. The District pays 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 60% of the cost of the selected health benefit plan and the family member pays 40% of the cost of the selected health benefit plan for covered family members of police officer or firefighter annuitants who are injured or killed in the line of duty.

The participant pays \$.0455 per \$1,000 (\$1 thousand) of life insurance coverage until age 65 for the 75% reduction option, with no contributions required thereafter. Participants can

also elect a 50% or 0% reduction of life insurance benefits, which require additional contributions.

d) **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 No. 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 N51 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 asset or obligation to the plan.

Table N51 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations

	FY 2013	FY 2012	FY 2011
Annual required contribution	\$85,200	\$95,500	\$94,165
Interest on net OPEB obligation	\$2,200	\$3,192	\$3,129
Adjustment to annual required contribution	(\$1,900)	(\$2,252)	(\$2,191)
Annual OPEB cost (expense)	\$85,500	\$96,440	\$95,103
Contributions made	\$107,800	\$109,840	\$94,200
Net OPEB asset/(obligation)	\$22,300	\$13,400	(\$903)
Net OPEB asset (obligation) – beginning of year	(\$32,206)	(\$45,606)	(\$44,703)
Net OPEB asset (obligation) – end of year	(\$9,906)	(\$32,206)	(\$45,606)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years are shown in **Table N52**.

Table N52 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2011 through 2013)

Fiscal Year Ended	Annual OPEB Cost (millions)	% Of Annual OPEB Cost Contributed	Net OPEB Obligation (millions)
09/30/13	\$85.2	126.5%	\$9.9
09/30/12	\$95.5	115%	\$32.2
09/30/11	\$94.2	100%	\$45.6

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**e) Funded Status and Funding Progress**

As of September 30, 2012, the most recent actuarial valuation date, the Plan was 75.4% funded. The actuarial accrued liability for benefits was \$919,700 and the actuarial value of assets was \$693,300, resulting in an unfunded actuarial accrued liability (UAAL) of \$226,400. The covered payroll (annual payroll of active employees covered by the plan) was \$1,399,100 and the ratio of the UAAL to the covered payroll was 16.18%.

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.

Using the September 30, 2012 actuarial valuation results, the September 30, 2013 estimated actuarial liability is \$1,048,000 and the estimated actuarial value of the assets is \$841,700 resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$206,300. The estimated covered payroll (annual payroll of active employees covered by the Plan) is \$1,451,600 and the estimated ratio of the UAAL to the covered payroll is 14.21%.

f) 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 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.

The Entry Age Normal Actuarial cost method was used to prepare the September 30, 2012 actuarial valuation. The actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 3.75% inflation rate and a medical trend rate ranging between 8.0% (pre-Medicare) and 6.5% (post-Medicare) grading to 4.00% over 70 years. Fixed dollar amounts in the health care benefits (deductibles, co-pays, benefit maximums, etc.) are assumed to increase periodically to keep pace with the medical trend. The amortization method applied was the Level Percent Open Method. The remaining amortization period at September 30, 2012, was 30 years.

The actual performance of the Fund's investments was favorable in comparison to the projected rate of return of 7.00% used in the actuarial valuation. The Fund as a whole had a positive rate of return of 15.45% with net investment income of \$105,431 for the fiscal year ended September 30, 2013.

NOTE 11. FUND BALANCE/NET POSITION

Fund balances at September 30, 2013, are shown in Table N53a.

Table N53a - Schedule of FY 2013 Fund Balance

	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable						
Inventory	\$ 16,015	\$ -	\$ -	\$ -	\$ -	\$ 16,015
Total Nonspendable Fund Balance	<u>16,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,015</u>
Restricted for:						
Emergency and Contingency Cash Reserve	339,490	-	-	-	-	339,490
Debt Service - Bond Escrow	488,201	-	-	-	-	488,201
Budget	30,759	-	-	-	-	30,759
Purpose Restrictions	117,621	170,162	-	-	-	287,783
Payment in Lieu of Taxes (PILOT)	-	-	-	-	36,619	36,619
Tobacco Settlement	-	-	-	-	85,270	85,270
Tax Increment Financing Program	-	-	-	-	59,019	59,019
Housing Production Trust Fund	-	-	139,731	-	-	139,731
Capital Projects	-	-	-	102,434	-	102,434
Highway Projects	-	-	-	-	46,751	46,751
Baseball Special Revenue	-	-	-	-	77,678	77,678
Total Restricted Fund Balance	<u>976,071</u>	<u>170,162</u>	<u>139,731</u>	<u>102,434</u>	<u>305,337</u>	<u>1,693,735</u>
Committed to:						
Fiscal Stabilization Reserve	156,125	-	-	-	-	156,125
Cash Flow Reserve	295,442	-	-	-	-	295,442
Integrated Service Fund	4,577	-	-	-	-	4,577
Budget Support Act	19,392	-	-	-	-	19,392
Fixed Cost Commodity Reserve	22,289	-	-	-	-	22,289
Youth Jobs Fund	6,431	-	-	-	-	6,431
Healthcare Forfeiture	1,176	-	-	-	-	1,176
Dedicated Taxes	34,942	-	-	-	-	34,942
Other Special Purposes	119,193	-	-	-	-	119,193
Total Committed Fund Balance	<u>659,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>659,567</u>
Assigned to:						
Contractual obligations	1,069	-	-	-	-	1,069
Subsequent Years' Expenditures	96,206	-	-	-	-	96,206
Total Assigned Fund Balance	<u>97,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,275</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 1,748,928</u>	<u>\$ 170,162</u>	<u>\$ 139,731</u>	<u>\$ 102,434</u>	<u>\$ 305,337</u>	<u>\$ 2,466,592</u>

NOTE 11. FUND BALANCE/NET ASSETS

Net position at September 30, 2013, is shown in Table N53b.

Table N53b - Schedule of FY 2013 Net Position, Proprietary and Fiduciary Funds

	Lottery & Games	Unemployment Compensation Fund	Fiduciary Funds
Net Position			
Invested in capital assets	\$ 427	\$ -	\$ -
Restricted	-	241,952	6,973,904
Unrestricted	3,911	-	-
Total Net Position	<u>\$ 4,338</u>	<u>\$ 241,952</u>	<u>\$ 6,973,904</u>

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 WMATA 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 non-operating 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, 2013, is shown in Table N54a.

Table N54a - Summary of Grants Provided to WMATA

Type	Local	Capital
Operating grants	\$ 278,267	\$ -
School Transit Subsidy	6,584	-
Capital grants	-	122,239
Total	\$ 284,851	\$ 122,239

WMATA issues separate audited financial statements which can be requested from the General Manager, Washington Metropolitan Area Transit Authority, 600 5th Street, N.W., Washington, D.C. 20001. Table N54b presents information that allows financial statement users to assess whether WMATA is accumulating significant financial resources or experiencing fiscal stress that may cause additional financial benefits or burden to the District and other participating governments.

Table N54b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2013

Financial Position	
Total assets	\$ 10,285,318
Total deferred outflows of resources	-
Total liabilities	(2,030,861)
Total deferred inflows of resources	117
Net position	\$ 8,254,574
Operating Results	
Operating revenues	\$ 856,829
Operating expenses	(2,300,239)
Nonoperating revenues, net	728,194
Revenue from capital contributions	704,550
Change in net position	\$ (10,666)
Change in Net Position	
Net position, beginning of year	\$ 8,265,240
Change in net position	(10,666)
Net position, end of year	\$ 8,254,574

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 by a federal contribution to cover special purpose and other unusual costs imposed on the District by the federal government. Federal contributions to the District for the year ended September 30, 2013, totaled \$555,038.

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. In fiscal year 2002, the District received \$155,900 in federal funding for emergency preparedness. This funding was provided by the federal government to assist the District in preparing for response to potential terrorist threats or other attacks. The District did not expend any additional

amounts during fiscal year 2013. Therefore, as of September 30, 2013, the District had expended a total of \$152,262, or 97.7% of the federal funding received for purposes of emergency preparedness.

C. GRANTS

The District participates in a number of programs which are funded by the federal government through formula and project grants, direct and guaranteed loans, direct payments for specified and unrestricted use, Supplemental Nutrition Assistance Program (SNAP), and other pass-through grants.

The federal government also provides capital grants, which are used for the purchase or construction of capital assets. Federal grants and contributions are shown by function on the government-wide financial statements.

NOTE 14. LEASES**A. CAPITAL LEASES**

The District leases buildings and equipment under various agreements that are accounted for as capital leases with 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 \$10,346 in fiscal year 2013.

B. OPERATING LEASES

Operating leases are not recorded in the statement of net position. These leases contain various renewal options, the effects of which are reflected in the minimum lease

payments only if the options will be exercised. Certain 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 totaled \$125,635 in fiscal year 2013.

C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

Table N55 shows 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, 2013.

NOTE 14. LEASES**Table N55 - Schedule of Future Minimum Lease Payments**

Year Ending September 30	Primary Government		
	Capital Leases	Operating Leases	
		Facilities	Equipment
2014	\$ 3,507	\$ 88,339	\$ 652
2015	3,507	74,473	203
2016	3,507	71,714	203
2017	1,873	65,799	79
2018	-	64,195	79
2019-2023	-	193,198	-
2024-2028	-	36,436	-
2029-2033	-	682	-
2034-2038	-	791	-
2039-2043	-	917	-
2044-2048	-	1,063	-
2049-2053	-	272	-
Minimum lease payments	12,394	\$ 597,879	\$ 1,216
Less - imputed interest	(1,370)		
Present value of payments	\$ 11,024		

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 from its general fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. Claim expenditures and liabilities are reported in the government-wide financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated, and reported in the general fund when due and payable. These losses include an estimate of claims that have been incurred but not reported.

B. GRANTS AND CONTRACTS

The District has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally 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, 2013. As

such, the District's compliance with applicable grant and federal requirements will be assessed and established at some future date. Based on prior experience and resolutions reached with grantor agencies, the District determined that at September 30, 2013, probable cumulative expenditures that may be disallowed by grantor agencies totaled \$77,853. Accordingly, an accrual for such expenditures has been recorded in the government-wide financial statements.

C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS

All of the District's derivative instruments, except the rate cap, include provisions that require the District to post collateral in the event its credit rating falls below AA as issued by Fitch Ratings and Standard and Poor's or Aa as issued by Moody's Investors Service. The collateral posted is to be in the form of U.S. treasury securities in the amount of the fair value of hedging derivative instruments in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the hedging derivative instrument may be terminated by the counterparty. At September 30, 2013, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was \$13 (\$13 thousand) as indicated in Table N8. If the collateral posting requirements were triggered at

NOTE. 15. COMMITMENTS AND CONTINGENCIES

September 30, 2013, the District would have been required to post \$0 in collateral to counterparties. The District's general obligation credit rating is AA-/Aa2/AA+; therefore, no collateral had been posted at September 30, 2013.

D. LITIGATION

The District is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations. Although the ultimate outcome of these legal proceedings and investigations is unknown, the District is vigorously defending its position in each case. All amounts in connection with lawsuits in which a loss is probable have been included in the liability for claims and judgments at September 30, 2013.

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 the amount in excess of the minimum range of probable losses and the amount of the minimum range of losses that are reasonably possible which are not accrued is estimated to be \$65,235.

In addition to the accruals related to pending claims and judgments, the District accrued \$91,988 for pending or unresolved property tax appeals made by District property owners in fiscal year 2013.

A summary of the changes in the accrued liability for claims and judgments reported in the government-wide financial statements is shown in **Table N56**.

Table N56 - Summary of Changes in Claims and Judgments Accrual

Description	Fiscal Year 2013	Fiscal Year 2012
Liability at October 1	\$ 135,084	\$ 48,777
Add: Claims incurred		
Lawsuits	61,410	33,554
Property tax appeals	37,706	57,886
Less: Claims payments/adjustments		
Lawsuits	(23,115)	(5,133)
Property tax appeals	(3,604)	-
Liability at September 30	\$ 207,481	\$ 135,084

E. DISABILITY COMPENSATION

The District, through its Office of Risk Management, administers a disability compensation program under Title XXIII of the District of Columbia Compensation Merit Personnel Act of 1978 (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 1.75% of projected disability compensation is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table N57**.

Table N57 - Summary of Changes in Disability Compensation Accrual

Description	Fiscal Year 2013	Fiscal Year 2012
Liability at October 1	\$ 135,046	\$ 151,337
Claims incurred	5,738	9,769
Less-benefit payments/adjustments	(11,533)	(26,060)
Liability at September 30	\$ 129,251	\$ 135,046

F. DEBT SERVICE DEPOSIT AGREEMENTS

In prior years, the District entered into debt service deposit agreements which will be effective through fiscal year 2014. Under these agreements, the District exchanged future cash flows of certain special tax fund escrow accounts for fixed amounts received by the District. Execution of the debt service deposit agreements increased the District's ability to predict cash flows from the earnings on escrow account investments.

Upon early termination of an agreement and depending upon the prevailing interest rates at the time of termination, a termination amount may be owed by the District. At September 30, 2013, deferred inflows of resources of \$54 related to debt service deposit agreements were recorded in the government-wide financial statements.

NOTE 16. SUBSEQUENT EVENTS**A. TAX REVENUE ANTICIPATION NOTES**

The District issued \$405,000 in General Obligation Tax Revenue Anticipation Notes (TRANs) on November 7, 2013. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs. Proceeds from this issuance are to be used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2014.

The TRANs are general obligations of the District secured by the District's full faith and credit and are payable from all funds of the District not otherwise legally committed. In addition, the TRANs constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit certain receipts into a TRANs Escrow Account, a segregated special purpose account, for the purpose of paying the principal of and interest on the TRANs when due.

Under the TRANs Escrow Agreement, the District is to make deposits into the TRANs Escrow Account in accordance with the following schedule:

Date of Deposit	Amount of Deposit
September 2, 2014	20% of the outstanding principal amount
September 19, 2014	60% of the outstanding principal amount
September 29, 2014	20% of the outstanding principal amount, plus 100% of accrued interest to maturity

The TRANs were issued as fixed rate notes with an interest rate of 2.00%, and will mature on September 30, 2014.

B. GENERAL OBLIGATION BONDS

On December 18, 2013, the District issued \$495,425 in General Obligation Bonds, Series 2013A with interest rates ranging from 2.00% to 5.00%. The Series 2013A Bonds are general obligations of the District and the full faith and credit of the District is pledged to the payment of the principal of and interest on the 2013A Bonds when due. These bonds are further secured by a security interest in, and lien on, the funds derived from a Special Real Property Tax levied annually by the District, without limitation as to rate or amount, in amounts sufficient to pay the principal of and interest on the Series 2013A

Bonds and any other outstanding general obligation parity bonds when due.

The proceeds of the 2013A Bonds will be used to: (a) finance capital project expenditures under the District's capital improvements plan, and (b) pay the costs and expenses of issuing and delivering the 2013A Bonds.

C. INCOME TAX SECURED REVENUE BONDS

On November 26, 2013, the District issued \$97,145 in Income Tax Secured Revenue Refunding Bonds, Series 2013A. These bonds were issued as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§ 47-340.26-36) as amended, and a Master Indenture.

The proceeds of the Series 2013A Bonds will be used to: (a) currently refund \$29,450 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010E (Adjusted SIFMA Rate); \$40,455 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate); and \$26,640 of the District's Income Tax Revenue Refunding Bonds, Series 2011D (Adjusted SIFMA Rate) each maturing on December 1, 2013, and (b) pay the costs and expenses of issuing and delivering the Series 2013A Bonds.

The 2013A Bonds bear interest at a variable rate equal to the Adjusted SIFMA Rate, which equals the SIFMA Rate plus the per annum spread. Generally, the Adjusted SIFMA Rate will be determined on Wednesday of each week to be effective on each Thursday. Interest on the 2013A Bonds will be payable on the first business day of each month, commencing on January 2, 2014, until their final payment or maturity, and is to be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.

The 2013A Bonds, the outstanding bonds, and any additional bonds issued under the Indenture are payable from and secured by a security interest in and a statutory lien on the Trust Estate, which consists primarily of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year.

D. COMPONENT UNITS*Housing Finance Agency*

Subsequent to the end of fiscal year 2013, the following events occurred at the Housing Finance Agency (HFA):

NOTE. 16. SUBSEQUENT EVENTS**Multifamily (Conduit Bond) Program, New Issuances:**

- On October 29, 2013, \$9,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2013 were issued in a draw down mode to finance the Trinity Plaza project.
- On December 20, 2013, \$42,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Notes, Series 2013 were issued in a draw down mode to finance the Lofts at Capital Quarter project.
- Between October 1, 2013 and December 31, 2013, \$14,009 in multifamily mortgage revenue bonds were issued through draws on the draw down bonds.

Single Family New Issue Bond Program Redemptions and Maturities:

- On December 1, 2013, \$900 in District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds Series 2009 A-1 were redeemed through sinking fund maturity and from prepayments.
- On December 1, 2013, \$5,520 of the 1996 Single Family Mortgage Revenue Bonds were redeemed.
- On December 1, 2013, \$65 (\$65 thousand) in District of Columbia Housing Finance Agency Collateralized Single Family Housing Revenue Bonds 1988 Series E-4 were redeemed from prepayments.

Multifamily New Issue Bond Program Redemptions and Maturities:

- On November 1, 2013, \$2,389 in District of Columbia Housing Finance Agency Housing Revenue Bonds 2011 Series B (Alabama Avenue) were fully redeemed due to partial loan payoff. Between October 1, 2013 and December 31, 2013, \$675 in Multifamily NIBP mortgage revenue bonds were redeemed.

Multifamily (Conduit Bond) Program, Redemptions and Maturities:

- On October 1, 2013, \$5,700 in District of Columbia Housing Finance Agency Housing Revenue Bonds 2010 Series (Arthur Capper) were fully redeemed at maturity.
- On October 21, 2013, \$9,244 in District of Columbia Housing Finance Agency Housing Revenue Bonds 2001 Series (Douglas Knoll) were fully redeemed due to the loan payoff.
- On October 31, 2013, \$9,870 in District of Columbia Housing Finance Agency Housing Revenue Bonds 2003 Series (Bowling Green) were fully redeemed due to the loan payoff.
- Between October 1, 2013 and December 31, 2013, \$2,226 of multifamily mortgage revenue bonds were redeemed or matured.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information presents additional information as mandated by current governmental financial reporting standards.

Schedule of Funding Progress
District of Columbia Retirement Programs

TEACHERS' AND POLICE OFFICERS' AND FIREFIGHTERS' PLANS

As of September 30, 2013

(\$000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)/ (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2012	\$5,390,479	\$5,137,524	(\$252,955)	104.9%	\$796,112	-31.8%
10/01/2011	\$5,167,370	\$4,854,689	(\$312,681)	106.4%	\$805,676	-38.8%
10/01/2010	\$4,989,764	\$4,495,129	(\$494,635)	111.0%	\$761,370	-65.0%
10/01/2009	\$4,493,400	\$4,332,400	(\$161,000)	103.7%	\$772,700	-20.8%
10/01/2008	\$4,379,700	\$4,276,800	(\$102,900)	102.4%	\$781,200	-13.2%

The District of Columbia Retirement Board uses the Aggregate Actuarial Cost Method, which does not result in the calculation of an unfunded accrued liability. GASB Statement No. 50 requires funds using the Aggregate Actuarial Cost Method to disclose funding status information based on Entry Age Normal calculations. Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan.

Actuarial Methods and Assumptions

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2013

Valuation Date	September 30, 2012 (projected from September 30, 2012 census)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Discount Rate	7.00%
Rate of Salary Increases	3.75% (plus merit scale)
Rate of Medical Inflation	8.0% (pre-Medicare) or 6.5% (post-Medicare), grading to 4.00% over 70 years

The rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Schedule of Funding Progress

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2013

(\$000s)

	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2012	\$693,300	\$919,700	\$226,400	75.4%	\$1,399,100	16.2%
9/30/2011	\$511,500	\$866,600	\$355,100	59.0%	\$1,559,800	22.8%
9/30/2010	\$424,300	\$784,900	\$360,600	54.1%	\$1,544,500	23.3%
09/30/2009	\$309,100	\$625,900	\$316,800	49.4%	\$1,579,900	20.1%
09/30/2008	\$219,700	\$745,200	\$525,500	29.5%	\$1,107,100	47.5%



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OTHER SUPPLEMENTARY INFORMATION

This subsection includes the combining and individual fund statements and schedules for the following:

General Fund

Nonmajor Governmental Funds

Fiduciary Funds

Supporting Schedules



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GENERAL FUND

The General Fund is used to account for all financial resources that are not required to be accounted for in another fund.

Exhibit A-1

**GENERAL FUND
BALANCE SHEET
September 30, 2013
(With Comparative Totals at September 30, 2012)
(\$000s)**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents (unrestricted)	\$ 1,279,409	\$ 981,411
Receivables (net of allowances for uncollectibles):		
Intergovernmental	364	24
Taxes	380,360	419,683
Accounts	91,525	194,599
Due from component units	24,080	33,616
Interfund	231,527	187,901
Inventories	16,015	12,195
Other current assets	1,603	1,029
Cash and cash equivalents (restricted)	756,091	339,103
Investments (restricted)	<u>85,322</u>	<u>388,255</u>
Total current assets	<u>2,866,296</u>	<u>2,557,816</u>
Long term assets	<u>158,705</u>	<u>13,646</u>
Total assets	<u>\$ 3,025,001</u>	<u>\$ 2,571,462</u>
LIABILITIES		
Liabilities:		
Payables:		
Accounts	\$ 491,317	\$ 390,221
Compensation:		
Salaries and wages	176,336	148,530
Employee benefits	1,559	403
Payroll taxes	383	50
Other deductions	6,313	3,701
Interfund	26,445	17,011
Due to component units	10,183	13,288
Unearned revenue	80,396	46,485
Accrued liabilities:		
Grant disallowances	4,055	4,545
Medicaid	196,017	174,769
Tax refunds	101,019	91,608
Other current liabilities	<u>42,565</u>	<u>10,029</u>
Total liabilities	<u>1,136,588</u>	<u>900,640</u>
DEFERRED INFLOW OF RESOURCES		
Unavailable revenues		
Property taxes	60,961	89,833
Others	<u>78,524</u>	<u>74,468</u>
Total deferred inflow of resources	<u>139,485</u>	<u>164,301</u>
FUND BALANCE		
Nonspendable	16,015	20,357
Restricted	976,071	856,277
Committed	659,567	595,008
Assigned	<u>97,275</u>	<u>34,879</u>
Total fund balance	<u>1,748,928</u>	<u>1,506,521</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 3,025,001</u>	<u>\$ 2,571,462</u>

See Accompanying Independent Auditors' Report.

Exhibit A-2

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

	2013	2012
Revenues:		
Taxes	\$ 5,960,636	\$ 5,686,168
Fines and forfeits	178,708	185,771
Licenses and permits	105,081	99,300
Charges for services:		
Public	242,347	244,755
Intergovernmental	726	1,666
Miscellaneous:		
Public	364,346	356,643
Investment income	2,749	10,165
Total revenues	<u>6,854,593</u>	<u>6,584,468</u>
Expenditures:		
Governmental direction and support	748,634	694,011
Economic development and regulation	260,700	194,458
Public safety and justice	982,461	954,077
Public education system	1,681,634	1,571,264
Human support services	1,783,940	1,727,072
Public works	261,049	311,968
Public transportation	284,851	221,339
Debt service:		
Principal	193,504	177,175
Interest	320,135	287,819
Fiscal charges	8,160	14,349
Total expenditures	<u>6,525,068</u>	<u>6,153,532</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>329,525</u>	<u>430,936</u>
Other Financing Sources (Uses):		
Debt issuance	5,353	2,737
Refunding debt issuance	-	555,845
Premium on sale of bonds	-	66,836
Payment to refunded bond escrow agent	-	(622,363)
Transfers in	118,362	92,391
Transfers out	(214,446)	(124,755)
Sale of capital assets	3,613	-
Total other financing uses	<u>(87,118)</u>	<u>(29,309)</u>
EXCESS OF REVENUES AND OTHER SOURCES		
OVER EXPENDITURES AND OTHER USES	<u>242,407</u>	<u>401,627</u>
Fund Balance at October 1,	<u>1,506,521</u>	<u>1,104,894</u>
Fund Balance at September 30	<u>\$ 1,748,928</u>	<u>\$ 1,506,521</u>

See Accompanying Independent Auditors' Report.

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES
FUNCTION AND OBJECT - GAAP BASIS
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

Function and Subfunction	Personnel	Contractual	Supplies	Occupancy	Miscel- laneous *	Totals	
	Services	Services				2013	2012
Governmental Direction and Support:							
Legislative	\$ 19,942	\$ 2,686	\$ 108	\$ 594	\$ 904	\$ 24,234	\$ 22,647
Executive	73,284	27,707	499	4,261	2,415	108,166	112,087
Finance	79,149	32,800	252	63	163,560	275,824	260,090
Personnel	9,833	2,362	20	18	15	12,248	11,117
Administrative	87,301	105,211	5,100	117,824	3,908	319,344	281,397
Elections	5,740	2,727	233	14	104	8,818	6,673
Total	275,249	173,493	6,212	122,774	170,906	748,634	694,011
Economic Development and Regulation:							
Community development	22,568	15,107	174	398	86,646	124,893	72,032
Economic regulation	53,658	12,529	401	4,479	4,212	75,279	66,509
Employment services	21,821	15,154	84	1,012	22,457	60,528	55,917
Total	98,047	42,790	659	5,889	113,315	260,700	194,458
Public Safety and Justice:							
Police	523,823	55,273	4,909	1,384	23,096	608,485	622,397
Fire	203,260	10,299	5,063	103	8,310	227,035	190,638
Corrections	68,112	52,019	5,453	2,812	4,365	132,761	126,453
Protection	5,038	647	172	6	788	6,651	7,441
Law	6,776	586	125	-	42	7,529	7,148
Total	807,009	118,824	15,722	4,305	36,601	982,461	954,077
Public Education System:							
Schools	502,988	95,210	12,896	39,038	621,102	1,271,234	1,154,296
Culture	125,359	38,574	1,323	10,674	234,470	410,400	416,968
Total	628,347	133,784	14,219	49,712	855,572	1,681,634	1,571,264
Human Support Services:							
Health and welfare	263,098	115,977	7,460	49,119	1,151,053	1,586,707	1,522,488
Human relations	4,636	3,140	114	24	16,020	23,934	21,531
Employment benefits	138,423	-	-	-	-	138,423	149,991
Recreation	29,716	3,597	1,090	21	452	34,876	33,062
Total	435,873	122,714	8,664	49,164	1,167,525	1,783,940	1,727,072
Public Works	150,275	89,512	1,041	10,513	9,708	261,049	311,968
Public Transportation	-	-	-	-	284,851	284,851	221,339
Debt Service	-	-	-	-	521,799	521,799	479,343
Net Financing Uses	-	-	-	-	87,118	87,118	29,309
Total expenditures and net uses	\$ 2,394,800	\$ 681,117	\$ 46,517	\$ 242,357	\$ 3,247,395	\$ 6,612,186	\$ 6,182,841

See Accompanying Independent Auditors' Report.

*Miscellaneous column includes transfers, subsidies and other payments, the major components of which are listed below.

Transfers to: Convention Center [\$107,041], Public Charter Schools [\$601,428], UDC [\$65,555], PAYGO-Capital [\$88,201], Police & Fire Retirement System [\$96,314], Mass Transit Subsidies [\$284,851]

Payments for: Dept. of Mental Health [\$28,283], Dept. of Health Care Finance [\$767,337], Dept. of Human Services [\$133,316], Child & Family Services [\$97,564], Dept. of Youth Rehabilitation [\$50,510], District Retiree Health Contribution [\$107,800], Disability Services [\$34,909], State Education [\$70,739], Non-Public Tuition [\$82,717], Equipment Lease-Capital [\$49,953], BID [\$23,290], Housing Production Trust Fund [\$66,931], Repayment of Loans & Interest [\$459,628]

Exhibit A-4

GENERAL FUND
SCHEDULE OF LOCAL SOURCE REVENUES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended September 30, 2013
(\$000s)

Source	Budget		Actual	Variance Positive (Negative)
	Original	Revised		
Taxes:				
Property:				
Real	\$ 1,922,225	\$ 1,862,886	\$ 1,886,854	\$ 23,968
Personal	53,686	57,211	54,878	(2,333)
Public space rental	32,930	32,000	33,370	1,370
Total	<u>2,008,841</u>	<u>1,952,097</u>	<u>1,975,102</u>	<u>23,005</u>
Sales and use:				
General	1,044,340	1,101,577	1,084,978	(16,599)
Alcoholic beverages	5,473	5,269	5,945	676
Cigarette	36,353	33,400	33,991	591
Motor vehicles	38,760	44,558	46,584	2,026
Motor fuel tax	23,750	22,000	22,391	391
Total	<u>1,148,676</u>	<u>1,206,804</u>	<u>1,193,889</u>	<u>(12,915)</u>
Income and franchise:				
Individual income	1,411,585	1,653,570	1,640,899	(12,671)
Corporation franchise	245,424	312,012	298,983	(13,029)
Unincorporated business	154,666	163,787	154,297	(9,490)
Total	<u>1,811,675</u>	<u>2,129,369</u>	<u>2,094,179</u>	<u>(35,190)</u>
Gross receipts:				
Public utility	143,634	143,067	133,799	(9,268)
Toll telecommunication	59,031	57,790	54,527	(3,263)
Insurance companies	76,014	85,000	77,549	(7,451)
Health care providers	13,400	14,114	15,117	1,003
Health care related incomes	24,519	24,676	22,778	(1,898)
Total	<u>316,598</u>	<u>324,647</u>	<u>303,770</u>	<u>(20,877)</u>
Other:				
Deed recordation	144,526	174,695	177,952	3,257
Deed transfers	120,179	124,419	130,285	5,866
Inheritance and estate	45,000	38,000	39,700	1,700
Economic interests	10,000	4,269	5,815	1,546
Total	<u>319,705</u>	<u>341,383</u>	<u>353,752</u>	<u>12,369</u>
Total taxes	<u>5,605,495</u>	<u>5,954,300</u>	<u>5,920,692</u>	<u>(33,608)</u>
Licenses and Permits:				
Business licenses	37,590	37,092	45,017	7,925
Nonbusiness permits	40,350	31,937	33,840	1,903
Total	<u>77,940</u>	<u>69,029</u>	<u>78,857</u>	<u>9,828</u>
Fines and Forfeits	<u>178,522</u>	<u>165,122</u>	<u>145,509</u>	<u>(19,613)</u>
Charges for Services	<u>63,223</u>	<u>68,026</u>	<u>75,416</u>	<u>7,390</u>
Miscellaneous:				
Interest	3,000	2,500	130	(2,370)
Other	112,900	103,570	166,138	62,568
Total	<u>115,900</u>	<u>106,070</u>	<u>166,268</u>	<u>60,198</u>
Total Local Revenues	<u>6,041,080</u>	<u>6,362,547</u>	<u>6,386,742</u>	<u>24,195</u>
Transfers and Other sources:				
General obligation bonds	6,000	6,000	4,079	(1,921)
Fund balance released from restrictions	31,260	114,145	-	(114,145)
Interfund transfer	98,501	109,201	114,482	5,281
Total Transfers and Other Sources	<u>135,761</u>	<u>229,346</u>	<u>118,561</u>	<u>(110,785)</u>
Total Local Revenues and Sources	<u>\$ 6,176,841</u>	<u>\$ 6,591,893</u>	<u>\$ 6,505,303</u>	<u>\$ (86,590)</u>

See Accompanying Independent Auditors' Report.

Exhibit A-5

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS
Year Ended September 30, 2013
(\$000s)

	Local Source			Other Source			Totals		
	Original Budget	Revised Budget	Variance	Original Budget	Revised Budget	Variance	Original Budget	Revised Budget	Variance
Revenues and Sources:									
Taxes									
Property	\$ 2,008,841	\$ 1,952,097	\$ 23,005	\$ -	\$ -	\$ -	\$ 2,008,841	\$ 1,952,097	\$ 23,005
Sales and uses	1,148,676	1,206,804	(12,915)	-	-	-	1,148,676	1,206,804	(12,915)
Income and franchise	1,811,675	2,129,369	(35,190)	-	-	-	1,811,675	2,129,369	(35,190)
Gross receipts and other taxes	636,303	666,030	(8,508)	-	-	-	636,303	666,030	(8,508)
Total taxes	5,605,495	5,954,300	(33,608)	-	-	-	5,605,495	5,954,300	(33,608)
Licenses and permits	77,940	69,029	9,828	-	-	-	77,940	69,029	9,828
Fines and forfeits	178,522	165,122	(19,613)	-	-	-	178,522	165,122	(19,613)
Charges for services	63,223	68,026	7,390	-	-	-	63,223	68,026	7,390
Miscellaneous	115,900	106,070	60,198	-	-	-	115,900	106,070	60,198
Other	-	-	-	455,488	433,273	35,870	455,488	433,273	35,870
Bond proceeds	6,000	6,000	(1,921)	-	-	-	6,000	6,000	(1,921)
Fund balance released from restrictions	31,260	114,145	(114,145)	20,208	18,442	18,442	51,468	132,587	(114,145)
Interfund transfer-from lottery and games	63,175	63,175	5,139	-	-	-	63,175	63,175	5,139
Interfund transfer-others	35,326	46,026	142	-	-	-	35,326	46,026	142
Total Revenues and Sources	6,176,841	6,591,893	(86,590)	475,696	451,715	487,585	6,652,537	7,043,608	(50,720)
Expenditures and Uses:									
Governmental direction and support	552,260	553,544	9,101	50,170	34,083	26,283	602,430	587,627	16,901
Economic development and regulation	147,871	191,500	5,071	143,919	138,301	24,788	291,790	329,801	29,859
Public safety and justice	944,598	951,083	4,790	50,976	41,087	35,462	995,574	992,170	10,415
Public education system	1,599,445	1,474,191	8,574	20,557	29,877	19,993	1,620,002	1,504,068	18,458
Public education AY14 expenditure	-	178,903	-	-	-	-	-	178,903	-
Human support services	1,612,861	1,671,570	18,229	31,011	26,899	22,163	1,643,872	1,698,469	22,965
Public works	464,839	464,299	8,953	105,100	112,627	95,178	569,939	576,926	26,402
Presidential inauguration	-	11,286	2,387	-	-	-	-	11,286	2,387
Workforce investments	-	502	502	-	-	-	-	502	502
Wilson building	4,193	4,193	503	-	-	-	4,193	4,193	503
Repay bonds and interest	462,877	458,732	3,651	4,547	4,547	4,547	467,424	463,279	3,651
Bond fiscal charges	8,222	6,665	-	-	-	-	8,222	6,665	-
Interest on short term borrowing	6,000	6,000	1,580	-	-	-	6,000	6,000	1,580
Certificates of participation	4,390	2,118	537	-	-	-	4,390	2,118	537
Settlements and judgments fund	32,542	32,542	717	-	-	-	32,542	32,542	717
Convention center transfer	21,477	20,977	5,387	-	-	-	21,477	20,977	5,387
Highway trust transfer	106,729	107,041	-	-	-	-	106,729	107,041	-
Operating lease-equipment	23,750	22,389	22,389	-	-	-	23,750	22,389	22,389
Emergency and contingency reserve	50,036	50,036	83	12,722	12,722	12,722	62,758	62,758	83
Pay-go capital	750	144	144	-	-	-	750	144	144
Schools modernization fund	4,270	48,439	48,439	31,533	39,763	39,763	36,763	88,202	88,202
District retiree health contribution	8,626	8,626	-	-	-	-	8,626	8,626	-
Non-departmental agency	107,800	107,800	-	-	-	-	107,800	107,800	-
Total Expenditures and Uses	9,000	270	270	25,161	11,809	11,809	34,161	12,079	12,079
Excess of Revenues and Sources Over Expenditures and Uses	\$ 4,305	\$ 219,043	\$ (202,932)	\$ -	\$ -	\$ (16,111)	\$ 4,305	\$ 219,043	\$ (202,932)
See Accompanying Independent Auditors' Report.									

Exhibit A-6

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES
Year Ended September 30, 2013
(\$000s)

	Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
Revenues and Sources:					
Taxes:					
Property	\$ 2,008,841	\$ (56,744)	\$ 1,952,097	\$ 1,975,102	\$ (33,739)
Sales and use	1,148,676	58,128	1,206,804	1,193,889	45,213
Income and franchise	1,811,675	317,694	2,129,369	2,094,179	282,504
Other taxes	636,303	29,727	666,030	657,522	21,219
Total taxes	5,605,495	348,805	5,954,300	5,920,692	315,197
Licenses and permits	77,940	(8,911)	69,029	78,857	917
Fines and forfeits	178,522	(13,400)	165,122	145,509	(33,013)
Charges for services	63,223	4,803	68,026	75,416	12,193
Miscellaneous	115,900	(9,830)	106,070	166,268	50,368
Other	455,488	(22,215)	433,273	469,143	13,655
Bond proceeds	6,000	-	6,000	4,079	(1,921)
Fund balance released from restriction	51,468	81,119	132,587	18,442	(33,026)
Interfund transfer-from lottery and games	63,175	-	63,175	68,314	5,139
Interfund transfer-others	35,326	10,700	46,026	46,168	10,842
Total Revenues and Sources	6,652,537	391,071	7,043,608	6,992,888	340,351
Expenditures and Uses:					
Governmental direction and support	602,430	(14,803)	587,627	570,726	31,704
Economic development and regulation	291,790	38,011	329,801	299,942	(8,152)
Public safety and justice	995,574	(3,404)	992,170	981,755	13,819
Public education system	1,620,002	(115,934)	1,504,068	1,485,610	134,392
Public education AY14 expenditure	-	178,903	178,903	178,903	(178,903)
Human support services	1,643,872	54,597	1,698,469	1,675,504	(31,632)
Public works	569,939	6,987	576,926	550,524	19,415
Presidential inauguration	-	11,286	11,286	8,899	(8,899)
Workforce investments	-	502	502	-	-
Wilson building	4,193	-	4,193	3,690	503
Repay bonds and interest	467,424	(4,145)	463,279	459,628	7,796
Repay revenue bonds and interest	8,222	(1,557)	6,665	6,665	1,557
Bond fiscal charges	6,000	-	6,000	4,420	1,580
Interest on short term borrowing	4,390	(2,272)	2,118	1,581	2,809
Certificates of participation	32,542	-	32,542	31,825	717
Settlements and judgments fund	21,477	(500)	20,977	15,590	5,887
Convention center transfer	106,729	312	107,041	107,041	(312)
Highway trust transfer	36,472	(1,361)	35,111	35,111	1,361
Operating lease-equipment	50,036	-	50,036	49,953	83
Emergency and contingency reserve	750	(606)	144	-	750
Pay-go capital	35,803	52,399	88,202	88,202	(52,399)
Schools modernization fund	8,626	-	8,626	8,626	-
District retiree health contribution	107,800	-	107,800	107,800	-
Non-departmental agency	34,161	(22,082)	12,079	-	34,161
Total Expenditures and Uses	6,648,232	176,333	6,824,565	6,671,995	(23,763)
Excess of Revenues and Sources Over Expenditures and Uses	\$ 4,305	\$ 214,738	\$ 219,043	\$ 320,893	\$ 316,588

See Accompanying Independent Auditors' Report.



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NONMAJOR GOVERNMENTAL FUNDS
(Combining Statements)**Special Revenue Funds**

The **Tax Increment Financing (TIF) Program Fund** is used to account for activities relating to various TIF development initiatives. These activities support new economic development projects.

The **Tobacco Settlement Financing Corporation (TSFC) Fund** is used to account for the tobacco litigation settlement activities of the District of Columbia.

The **PILOT Special Revenue Fund** is used to account for the proceeds of PILOT revenue to finance the development costs associated with various District development projects.

The **Baseball Special Revenue Fund** is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes.

Debt Service Fund

The **Debt Service Fund** is used to account for the payment of ballpark revenue bonds.

Capital Project Fund

The **Highway Trust Fund** is used to account for the motor vehicle fuel taxes and other fees collected and used by the District for highway projects.

Exhibit B-1

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

September 30, 2013
(With Comparative Totals at September 30, 2012)
(S000s)

	Special Revenue Funds				Capital Project Fund			Totals
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust		
ASSETS								
Current Assets:								
Receivables (net of allowances for uncollectibles):								
Taxes	\$ -	\$ -	\$ -	\$ 1,716	\$ -	\$ 2,044	\$ 3,760	\$ 3,626
Accounts	17	29,012	-	-	-	3,490	32,519	28,202
Due from other District entities	-	-	-	665	-	-	665	666
Interfund	12,828	-	834	3,772	-	3,266	20,700	10,277
Other current assets	-	30	-	-	-	-	30	-
Restricted cash and cash equivalents	48,063	56,435	24,630	89,989	-	46,312	265,429	275,313
Restricted investments	-	-	11,155	-	-	-	11,155	-
Total assets	\$ 60,908	\$ 85,477	\$ 36,619	\$ 96,142	\$ -	\$ 55,112	\$ 334,258	\$ 318,084
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE								
Current Liabilities:								
Payables:								
Accounts	\$ 1,889	\$ -	\$ -	\$ -	\$ -	\$ 8,198	10,087	\$ 9,967
Compensation payable	-	-	-	-	-	163	163	143
Due to other funds	-	-	-	16,797	-	-	16,797	15,777
Due to other District entities	-	-	-	-	-	-	-	5,000
Other current liabilities	-	-	-	1	-	-	1	-
Accrued liabilities	-	207	-	530	-	-	737	286
Total liabilities	1,889	207	-	17,328	-	8,361	27,785	31,173
Deferred Inflow of Resources:								
Unavailable revenues	-	-	-	1,136	-	-	1,136	569
Fund Balance:								
Restricted	59,019	85,270	36,619	77,678	-	46,751	305,337	286,342
Total fund balances	59,019	85,270	36,619	77,678	-	46,751	305,337	286,342
Total liabilities, deferred inflow of resources and fund balances	\$ 60,908	\$ 85,477	\$ 36,619	\$ 96,142	\$ -	\$ 55,112	\$ 334,258	\$ 318,084

See Accompanying Independent Auditors' Report.

Exhibit B-2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

	Special Revenue Funds									
	Tax	Tobacco		PILOT		Baseball Project	Debt Service Fund	Capital Project Fund		Totals
		Increment Financing Program	Settlement Corporation	Special Revenue	Revenue			Highway Trust		
Revenues:										
Property taxes	\$ 15,802	\$ -	\$ 12,184	\$ -	\$ -	\$ -	\$ -	\$ 27,986	\$ 32,245	
Sales and use taxes	37,506	-	-	15,408	-	-	-	52,914	34,841	
Gross receipts taxes	-	-	-	40,120	-	-	-	40,120	42,638	
Interest	4	2,498	525	8	-	-	41	3,076	2,392	
Tobacco settlement revenue	-	57,937	-	-	-	-	-	57,937	38,325	
Other	-	-	9,038	5,500	-	-	3,509	18,047	19,439	
Total revenues	53,312	60,435	21,747	61,036	-	-	3,550	200,080	169,880	
Expenditures:										
Governmental direction and support	17,504	445	1,082	1,940	-	-	-	20,971	57,755	
Capital outlay	-	-	-	-	-	-	36,379	36,379	38,829	
Bond principal payment	4,203	29,760	17,025	-	5,680	-	-	56,668	40,470	
Interest	6,495	28,103	4,187	-	26,075	-	-	64,860	67,485	
Fiscal charges	167	-	110	-	-	-	-	277	1,098	
Total expenditures	28,369	58,308	22,404	1,940	31,755	-	36,379	179,155	205,637	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,943	2,127	(657)	59,096	(31,755)	(32,829)	-	20,925	(35,757)	
Other Financing Sources (Uses):										
Bond issuance	-	-	-	-	-	-	-	-	38,650	
Refunding debt issuance	-	-	25,005	-	-	-	-	25,005	52,365	
Premium on sale of bonds	-	-	4,057	-	-	-	-	4,057	5,677	
Payment to refunded bond escrow agent:	-	-	(28,929)	-	-	-	-	(28,929)	(57,480)	
Transfers in	-	-	-	-	31,755	-	35,111	66,866	73,291	
Transfers out	(12,377)	-	(8,000)	(48,552)	-	-	-	(68,929)	(150,128)	
Total other financing sources (uses)	(12,377)	-	(7,867)	(48,552)	31,755	-	35,111	(1,930)	(37,625)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES										
Fund Balances at October 1	12,566	2,127	(8,524)	10,544	-	-	2,282	18,995	(73,382)	
Fund Balances at September 30	46,453	83,143	45,143	67,134	-	-	44,469	286,342	359,724	
Fund Balances at September 30	\$ 59,019	\$ 85,270	\$ 36,619	\$ 77,678	\$ -	\$ -	\$ 46,751	\$ 305,337	\$ 286,342	
See Accompanying Independent Auditors' Report.										

See Accompanying Independent Auditors' Report.



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FIDUCIARY FUNDS (Combining Statements)

The Fiduciary Funds are used to account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and federal government at amounts determined by an annual actuarial study. The funds are administered by a thirteen member Retirement Board. Three of these members are appointed by the Mayor and three by the Council. The other members include one each active and retired police officers, fire fighters, and teachers. The administrative costs of the board are accounted for in the funds.

The **Other Post Employment Benefit (OPEB) Trust Fund** is used to account for the receipt of monies for post-employment healthcare and life insurance benefits provided under the Post-Retirement Health and Life Insurance Benefit Plan. Annual District contributions are actuarially determined and paid accordingly. No employee contributions are required prior to retirement to fund the OPEB plan; however, retirees make contributions as required by the associated substantive plan.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow as an agent for individuals, private organizations or other governments.

Exhibit C-1

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
September 30, 2013
(With Comparative Totals at September 30, 2012)
(\$000s)

	Pension Trust Funds		Other	Totals	
	Police & Fire	Teachers	Postemployment Benefits (OPEB) Trust Fund	2013	2012
ASSETS					
Current Assets:					
Cash and cash equivalents - restricted	\$ 69,232	\$ 26,826	\$ 151,863	\$ 247,921	\$ 203,819
Investments - restricted	4,144,784	1,630,294	773,536	6,548,614	5,732,647
Collateral from securities lending transactions	59,912	23,566	-	83,478	96,652
Receivables:					
Due from federal government	831	339	-	1,170	1,606
Benefit contributions	1,862	1,718	-	3,580	3,332
Other current assets	68,127	26,796	4,553	99,476	149,659
Capital assets	-	-	-	-	3
Total assets	4,344,748	1,709,539	929,952	6,984,239	6,187,718
LIABILITIES					
Current Liabilities:					
Accounts payable	10,977	22,137	32,137	65,251	11,507
Securities lending	60,389	23,753	-	84,142	97,797
Due to other funds	276	112	-	388	2,054
Other current liabilities	104,649	41,162	-	145,811	197,676
Total liabilities	176,291	87,164	32,137	295,592	309,034
NET POSITION					
Net Position					
Held in trust for pension and OPEB benefits	\$ 4,168,457	\$ 1,622,375	\$ 897,815	\$ 6,688,647	\$ 5,878,684

See Accompanying Independent Auditors' Report.

Exhibit C-2

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended September 30, 2013
(With Comparative Totals for the Year Ended September 30, 2012)
(\$000s)

	Pension Trust Funds		Other Postemployment Benefit Trust Fund (OPEB)	Totals	
	Police & Fire	Teachers		2013	2012
Additions:					
Benefit contributions:					
Employer	\$ 96,314	\$ 6,407	\$ 107,800	\$ 210,521	\$ 226,500
Plan members	30,581	28,129	289	58,999	59,318
Investment income:					
From investment activities					
Net appreciation in fair value of investments	392,333	155,749	91,045	639,127	646,729
Other revenue	2,047	796	-	2,843	2,256
Interest and dividends	36,238	14,411	13,475	64,124	83,001
Less - investment expenses	(5,352)	(2,186)	(3,619)	(11,157)	(12,451)
Net income from investing activities	425,266	168,770	100,901	694,937	719,535
From securities lending activities					
Securities lending income	502	199	-	701	2,128
Less: securities lending expenses	(140)	(56)	-	(196)	(570)
Net income from securities lending activities	362	143	-	505	1,558
Total net investment income	425,628	168,913	100,901	695,442	721,093
Total additions	552,523	203,449	208,990	964,962	1,006,911
Deductions:					
Benefit payments	57,007	80,933	4,307	142,247	98,061
Administrative expenses	8,913	3,627	212	12,752	9,831
Total deductions	65,920	84,560	4,519	154,999	107,892
Change in net position	486,603	118,889	204,471	809,963	899,019
Net position held in trust for pension and OPEB benefits:					
October 1	3,681,854	1,503,486	693,344	5,878,684	4,979,665
September 30	\$ 4,168,457	\$ 1,622,375	\$ 897,815	\$ 6,688,647	\$ 5,878,684

See Accompanying Independent Auditors' Report.

Exhibit C-3

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended September 30, 2013
(\$000s)

	Balance October 1 2012	Additions	Deductions	Balance September 30 2013
ASSETS				
Cash and cash equivalents - restricted	\$ 53,639	\$ 54,920	\$ 66,464	\$ 42,095
Due from other funds	35	-	35	-
Other receivables	9,005	20,101	2,472	26,634
Total assets	\$ 62,679	\$ 75,021	\$ 68,971	\$ 68,729
LIABILITIES				
Accounts payable	\$ 878	\$ 433	\$ 287	\$ 1,024
Due to component units	340	20	360	-
Due to other funds	160	-	160	-
Other current liabilities	61,301	8,331	1,927	67,705
Total liabilities	\$ 62,679	\$ 8,784	\$ 2,734	\$ 68,729

See Accompanying Independent Auditors' Report.

SUPPORTING SCHEDULES

Supporting schedules are financial presentations used to aggregate and present in greater detail information contained in the financial statements and to present additional information not disclosed in the basic financial statements.

Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2013
(\$000s)

	Budget		Actual	Variance
	Original	Revised		
Governmental direction and support:				
Council of the district of columbia	\$ 21,007	\$ 19,408	\$ 19,335	\$ 73
Office of the d.c. auditor	3,951	4,276	4,118	158
Advisory neighborhood commissions	894	782	781	1
Office of the mayor	11,991	11,963	11,307	656
Office of the secretary	3,246	3,703	3,544	159
Office of the inspector general	15,686	15,164	13,749	1,415
Medical liability captive	2,496	699	498	201
City administrator / deputy mayor	3,401	3,618	3,195	423
DC office of personnel	7,814	10,017	9,772	245
Office of finance & resource mgmt	19,667	19,425	19,154	271
Department of general services	250,916	246,222	243,270	2,952
Office of contracting & procurement	8,971	11,002	10,730	272
Contract appeals board	1,051	1,063	1,041	22
Office of the chief financial officer	129,445	114,603	114,557	46
Office of the attorney general	80,755	80,143	77,083	3,060
Office of risk management	2,962	2,962	2,133	829
Office of disability rights	1,688	1,598	1,527	71
Office of chief technology officer	53,416	53,389	47,445	5,944
Board of elections and ethics	5,962	11,335	7,529	3,806
Office of campaign finance	2,601	2,601	2,017	584
Public employee relations board	1,151	1,151	1,037	114
Office of employee appeals	1,468	1,468	1,439	29
Metropolitan wash council of governments	408	783	783	-
Tax revision commission	-	603	603	-
District of columbia office of open government	1,039	1,139	1,041	98
Total governmental direction and support	631,986	619,117	597,688	21,429
Economic development and regulation:				
Business services and economic development	32,184	27,097	20,233	6,864
Office of local business development	6,185	4,323	4,116	207
Office of municipal planning	7,112	7,180	7,022	158
Office of zoning	2,596	2,596	2,565	31
Dept of housing and community development	57,239	60,399	57,353	3,046
Office of motion picture and television development	869	878	867	11
Department of employment services	119,000	95,540	83,612	11,928
Board of real property assess & appeals	1,663	1,551	1,256	295
Dept of consumer and regulatory affairs	32,952	32,903	30,271	2,632
Alcoholic beverage regulation administration	6,835	6,835	5,544	1,291
Office of cable tv	8,592	6,592	5,883	709
Commission on arts & humanities	11,935	12,160	11,838	322
Housing authority subsidy	14,213	14,213	14,213	-
Business improvement districts transfer	23,000	25,000	23,290	1,710
Housing production trust fund subsidy	15,000	66,931	66,931	-
Office of tenant advocate	2,064	2,164	2,022	142
Public service commission	10,823	10,963	10,151	812
Insurance regulation	20,860	27,817	16,486	11,331
Office of people's counsel	6,116	6,116	5,169	947
Total economic development and regulation	379,238	411,258	368,822	42,436
Public safety and justice:				
Metropolitan police department	473,655	469,278	468,380	898
Fire and emergency medical services	199,374	200,731	200,300	431
Police and firefighter retirement system	96,314	96,314	96,314	-
Office of administrative hearings	7,962	8,150	7,596	554
Criminal justice coordinating council	2,155	2,654	2,607	47
Department of corrections	139,289	135,193	130,612	4,581
Chief medical officer	7,834	7,834	7,543	291
DC national guard	8,671	7,244	6,939	305
Emergency management agency	102,039	143,038	125,478	17,560
Commission on judicial disabilities and tenure	280	309	286	23
Judicial nomination commission	194	208	202	6
Citizen complaint review board	2,091	2,092	2,037	55
Office of unified communications	43,840	38,096	36,820	1,276
Section 103 judgments	-	10,210	10,210	-
Advisory commission on sentencing	1,389	1,139	1,128	11
Office of deputy mayor for public safety and justice	18,416	19,221	17,003	2,218
Dept of forensic sciences	8,935	8,504	7,546	958
Total public safety and justice	1,112,438	1,150,215	1,121,001	29,214

(Continued)

Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2013
(\$000s)

	Budget		Actual	Variance
	Original	Revised		
Public education system:				
District of Columbia public schools	689,374	710,916	698,171	12,745
Public charter schools	535,364	423,055	422,525	530
AY14 public charter school advance appropriations		178,903	178,903	-
Teachers' retirement system	6,407	6,407	6,396	11
University of the district of Columbia	64,955	65,555	65,555	-
State education office	381,612	403,186	351,291	51,895
DC state board of education	-	296	159	137
DC public library	43,468	43,655	42,647	1,008
DC public charter school board	3,495	1,076	1,076	-
Special education training	91,190	92,260	89,738	2,522
Non-public tuition	109,941	85,590	84,086	1,504
Department of education	2,303	2,738	2,048	690
Total public education system	1,928,109	2,013,637	1,942,595	71,042
Human support services:				
Department of human services	335,790	332,960	324,161	8,799
Department of health	241,028	255,989	230,980	25,009
Department of parks and recreation	35,866	36,047	34,922	1,125
DC office on aging	23,926	27,828	25,925	1,903
Unemployment compensation fund	6,512	7,668	7,668	-
Disability compensation fund	19,822	22,955	22,954	1
Office of human rights	2,437	2,654	2,654	-
Office on latino affairs	2,685	2,696	2,694	2
Children investment trust	3,000	6,500	6,500	-
Child and family services	246,281	235,962	226,362	9,600
Dept of mental health	178,561	186,230	181,624	4,606
Asian and pacific islander affairs	780	788	785	3
Office of veteran affairs	394	399	366	33
Depart of youth rehab services	106,384	103,480	100,849	2,631
Department on disability services	92,753	92,368	89,955	2,413
Department of health care finance	2,470,305	2,525,222	2,465,026	60,196
Deputy mayor for health and human services	597	947	856	91
Not-for-profit hospital corp	-	11,000	11,000	-
Total human support services	3,767,121	3,851,693	3,735,281	116,412
Public works:				
Department of public works	111,154	113,450	112,014	1,436
Department of transportation	74,578	82,300	75,331	6,969
Taxi cab commission	1,607	3,095	2,365	730
Department of motor vehicles	34,060	35,057	32,966	2,091
Washington metro area transit commission	126	126	126	-
Mass transit subsidies	286,937	291,559	284,851	6,708
District depart. of environment	93,296	79,542	69,456	10,086
Total public works	601,758	605,129	577,109	28,020
Other:				
Repayment of loans and interest	467,424	483,460	479,809	3,651
Bond fiscal charges paid from bond proceeds	6,000	6,000	4,420	1,580
Repayment of interest on short-term borrowing	4,390	2,118	1,581	537
Settlements and judgments fund	21,477	20,977	15,590	5,387
Presidential inauguration	-	11,286	8,899	2,387
Wilson building	4,193	4,193	3,690	503
Schools modernization fund	8,626	8,626	8,626	-
District retiree health contribution	107,800	107,800	107,800	-
Repayment of revenue bonds	8,222	6,665	6,665	-
Certificate of participation	32,542	32,542	31,825	717
Convention center transfer dedicated taxes	106,729	107,041	107,041	-
Highway trust fund transfer	36,472	35,111	35,111	-
Emergency planning and security costs	23,408	28,699	16,229	12,470
Workforce investments	-	502	-	502
Operating lease-equipment	50,036	50,036	49,953	83
Emergency and contingency reserve funds	3,000	2,394	-	2,394
Pay-go capital	35,803	88,202	88,202	-
Non-departmental	34,161	12,079	-	12,079
DC retirement board	30,338	30,338	-	30,338
Housing finance agency	8,735	8,735	-	8,735
Total other	989,356	1,046,804	965,441	81,363
Total	\$ 9,410,006	\$ 9,697,853	\$ 9,307,937	\$ 389,916

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
 Year Ended September 30, 2013
 (\$000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
Council of the district of columbia	\$ 21,007	\$ 19,408	\$ 19,335	\$ 73	\$ -	\$ -	\$ -	\$ -
Office of the d.c. auditor	3,951	4,276	4,118	158	-	-	-	-
Advisory neighborhood commissions	894	782	781	1	-	-	-	-
Office of the mayor	8,435	8,407	8,287	120	3,556	3,553	3,016	537
Office of the secretary	2,246	2,553	2,546	7	-	-	-	-
Office of the inspector general	13,308	13,308	11,894	1,414	2,377	1,855	1,855	-
Medical liability captive	2,430	498	498	-	-	-	-	-
City administrator / deputy mayor	3,401	3,401	3,195	206	-	-	-	-
DC office of personnel	7,536	9,739	9,564	175	-	-	-	-
Office of finance & resource mgmt	19,373	19,373	19,154	219	-	-	-	-
Department of general services	244,338	241,738	239,275	2,463	-	-	-	-
Office of contracting & procurement	8,971	11,002	10,730	272	-	-	-	-
Contract appeals board	1,051	1,063	1,041	22	-	-	-	-
Office of the chief financial officer	100,306	99,720	99,682	38	-	440	432	8
Office of the attorney general	58,688	59,068	57,336	1,732	20,257	18,749	18,749	-
Office of risk management	2,962	2,962	2,133	829	-	-	-	-
Office of disability rights	970	970	900	70	718	628	628	-
Office of chief technology officer	39,974	40,681	40,253	428	2,498	1,264	1,208	56
Board of elections and ethics	5,812	6,910	6,801	109	150	4,425	728	3,697
Office of campaign finance	2,601	2,601	2,017	584	-	-	-	-
Public employee relations board	1,151	1,151	1,037	114	-	-	-	-
Office of employee appeals	1,468	1,468	1,439	29	-	-	-	-
Metropolitan wash council of governments	408	783	783	-	-	-	-	-
Tax revision commission	-	603	603	-	-	-	-	-
District of columbia office of open government	979	1,079	1,041	38	-	-	-	-
Total governmental direction and support	552,260	553,544	544,443	9,101	29,556	30,914	26,616	4,298
Economic development and regulation:								
Business services and economic development	11,753	12,028	11,877	151	3,000	921	672	249
Office of local business development	5,276	4,142	4,047	95	909	180	69	111
Office of municipal planning	6,559	6,481	6,345	136	523	601	601	-
Office of zoning	2,596	2,596	2,565	31	-	-	-	-
Dept of housing and community development	12,591	12,866	11,514	1,352	38,147	42,380	42,243	137
Office of motion picture and television development	784	793	782	11	-	-	-	-
Department of employment services	47,457	39,945	37,754	2,191	40,588	26,045	23,080	2,965
Board of real property assess & appeals	1,663	1,551	1,256	295	-	-	-	-
Dept of consumer and regulatory affairs	16,365	16,015	15,537	478	-	-	-	-
Alcoholic beverage regulation administration	460	460	460	-	-	-	-	-
Office of cable tv	-	-	-	-	-	-	-	-
Commission on arts & humanities	11,090	11,315	11,126	189	746	746	694	52
Housing authority subsidy	14,213	14,213	14,213	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	15,000	66,931	66,931	-	-	-	-	-
Office of tenant advocate	2,064	2,164	2,022	142	-	-	-	-
Public service commission	-	-	-	-	463	517	441	76
Insurance regulation	-	-	-	-	2,544	5,058	809	4,249
Office of people's counsel	-	-	-	-	-	-	-	-
Total economic development and regulation	147,871	191,500	186,429	5,071	86,920	76,448	68,609	7,839
Public safety and justice:								
Metropolitan police department	462,390	462,049	462,043	6	2,730	2,980	2,968	12
Fire and emergency medical services	197,854	198,654	198,391	263	-	557	389	168
Police and firefighter retirement system	96,314	96,314	96,314	-	-	-	-	-
Office of administrative hearings	7,962	8,082	7,528	554	-	68	68	-
Criminal justice coordinating council	449	474	436	38	1,706	2,159	2,156	3
Department of corrections	117,148	113,053	110,996	2,057	-	-	-	-
Chief medical officer	7,834	7,834	7,543	291	-	-	-	-
DC national guard	2,796	2,796	2,641	155	5,874	4,447	4,298	149
Emergency management agency	2,007	2,007	1,973	34	100,032	141,031	123,504	17,527
Commission on judicial disabilities and tenure	-	-	-	-	280	309	286	23
Judicial nomination commission	-	-	-	-	194	208	202	6
Citizen complaint review board	2,091	2,091	2,037	54	-	-	-	-
Office of unified communications	26,715	26,715	26,465	250	-	-	-	-
Section 103 judgments	-	10,210	10,210	-	-	-	-	-
Advisory commission on sentencing	1,389	1,139	1,128	11	-	-	-	-
Office of deputy mayor for public safety and justice	11,144	11,160	11,042	118	5,317	6,106	5,201	905
Dept of forensic sciences	8,505	8,505	7,546	959	431	-	-	-
Total public safety and justice	944,598	951,083	946,293	4,790	116,564	157,865	139,072	18,793

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2013
(\$000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
Council of the district of columbia	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office of the d.c. auditor	-	-	-	-	-	-	-	-
Advisory neighborhood commissions	-	-	-	-	-	-	-	-
Office of the mayor	-	4	4	-	-	-	-	-
Office of the secretary	-	-	-	-	1,000	1,150	998	152
Office of the inspector general	-	-	-	-	-	-	-	-
Medical liability captive	-	-	-	-	66	201	-	201
City administrator / deputy mayor	-	-	-	-	-	217	-	217
DC office of personnel	-	-	-	-	278	278	208	70
Office of finance & resource mgmt	-	-	-	-	294	52	-	52
Department of general services	-	-	-	-	6,579	4,485	3,994	491
Office of contracting & procurement	-	-	-	-	-	-	-	-
Contract appeals board	-	-	-	-	-	-	-	-
Office of the chief financial officer	-	56	56	-	29,140	14,387	14,387	-
Office of the attorney general	-	516	286	230	1,810	1,810	712	1,098
Office of risk management	-	-	-	-	-	-	-	-
Office of disability rights	-	-	-	-	-	-	-	-
Office of chief technology officer	-	-	-	-	10,943	11,443	5,984	5,459
Board of elections and ethics	-	-	-	-	-	-	-	-
Office of campaign finance	-	-	-	-	-	-	-	-
Public employee relations board	-	-	-	-	-	-	-	-
Office of employee appeals	-	-	-	-	-	-	-	-
Metropolitan wash council of governments	-	-	-	-	-	-	-	-
Tax revision commission	-	-	-	-	-	-	-	-
District of columbia office of open government	-	-	-	-	60	60	-	60
Total governmental direction and support	-	576	346	230	50,170	34,083	26,283	7,800
Economic development and regulation:								
Business services and economic development	-	-	-	-	17,431	14,148	7,684	6,464
Office of local business development	-	-	-	-	-	-	-	-
Office of municipal planning	-	18	18	-	30	80	58	22
Office of zoning	-	-	-	-	-	-	-	-
Dept of housing and community development	-	-	-	-	6,500	5,153	3,596	1,557
Office of motion picture and television development	-	-	-	-	85	85	85	-
Department of employment services	80	80	-	80	30,876	29,471	22,778	6,693
Board of real property assess & appeals	-	-	-	-	-	-	-	-
Dept of consumer and regulatory affairs	-	-	-	-	16,586	16,886	14,734	2,152
Alcoholic beverage regulation administration	-	-	-	-	6,375	6,375	5,084	1,291
Office of cable tv	-	-	-	-	8,592	6,592	5,883	709
Commission on arts & humanities	-	-	-	-	100	100	18	82
Housing authority subsidy	-	-	-	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	23,000	25,000	23,290	1,710
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	-	-	-	-
Public service commission	-	20	19	1	10,360	10,427	9,691	736
Insurance regulation	448	4,891	234	4,657	17,868	17,868	15,443	2,425
Office of people's counsel	-	-	-	-	6,116	6,116	5,169	947
Total economic development and regulation	528	5,009	271	4,738	143,919	138,301	113,513	24,788
Public safety and justice:								
Metropolitan police department	-	159	159	-	8,535	4,090	3,211	879
Fire and emergency medical services	-	-	-	-	1,520	1,520	1,520	-
Police and firefighter retirement system	-	-	-	-	-	-	-	-
Office of administrative hearings	-	-	-	-	-	-	-	-
Criminal justice coordinating council	-	20	15	5	-	-	-	-
Department of corrections	-	-	-	-	22,141	22,141	19,616	2,525
Chief medical officer	-	-	-	-	-	-	-	-
DC national guard	-	-	-	-	-	-	-	-
Emergency management agency	-	-	-	-	-	-	-	-
Commission on judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination commission	-	-	-	-	-	-	-	-
Citizen complaint review board	-	1	-	1	-	-	-	-
Office of unified communications	300	-	-	-	16,826	11,382	10,355	1,027
Section 103 judgments	-	-	-	-	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
Office of deputy mayor for public safety and justice	-	-	-	-	1,954	1,954	760	1,194
Dept of forensic sciences	-	-	-	-	-	-	-	-
Total public safety and justice	300	180	174	6	50,976	41,087	35,462	5,625

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
 Year Ended September 30, 2013
 (\$000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
District of Columbia public schools	646,176	640,742	640,642	100	27,549	38,163	33,113	5,050
Public charter schools	535,364	423,055	422,525	530	-	-	-	-
AY14 public charter school advance appropriations	-	178,903	178,903	-	-	-	-	-
Teacher's retirement system	6,407	6,407	6,396	11	-	-	-	-
University of the district of Columbia	64,955	65,555	65,555	-	-	-	-	-
State education office	100,006	114,371	111,809	2,562	275,795	282,907	239,131	43,776
DC state board of education	-	296	159	137	-	-	-	-
DC public library	42,027	42,101	41,583	518	922	997	996	1
DC public charter school board	1,076	1,076	1,076	-	-	-	-	-
Special education tran	91,190	92,260	89,738	2,522	-	-	-	-
Non-public tuition	109,941	85,590	84,086	1,504	-	-	-	-
Department of education	2,303	2,738	2,048	690	-	-	-	-
Total public education system	1,599,445	1,653,094	1,644,520	8,574	304,266	322,067	273,240	48,827
Human support services:								
Department of human services	166,060	178,425	174,865	3,560	168,654	153,418	148,870	4,548
Department of health	88,379	88,682	86,953	1,729	140,795	155,262	133,814	21,448
Department of parks and recreation	34,067	34,157	33,244	913	-	-	-	-
DC office on aging	16,620	20,214	18,912	1,302	7,307	7,615	7,013	602
Unemployment compensation fund	6,512	7,668	7,668	-	-	-	-	-
Disability compensation fund	19,822	22,955	22,954	1	-	-	-	-
Office of human rights	2,193	2,327	2,327	-	244	324	323	1
Office on latino affairs	2,685	2,696	2,694	2	-	-	-	-
Children investment trust	3,000	6,500	6,500	-	-	-	-	-
Child and family services	191,153	170,151	164,934	5,217	53,910	64,451	60,198	4,253
Dept of mental health	167,877	175,297	172,613	2,684	6,486	7,874	5,953	1,921
Asian and pacific islander affairs	780	788	785	3	-	-	-	-
Office of veteran affairs	382	387	366	21	-	-	-	-
Depart of youth rehab services	106,384	101,210	100,185	1,025	-	2,269	665	1,604
Department on disability services	54,376	54,723	54,071	652	31,478	32,426	30,736	1,690
Department of health care finance	751,974	793,443	792,414	1,029	1,713,889	1,728,667	1,671,649	57,018
Deputy mayor for health and human services	597	947	856	91	-	-	-	-
Not-for-profit hospital corp	-	11,000	11,000	-	-	-	-	-
Total human support services	1,612,861	1,671,570	1,653,341	18,229	2,122,763	2,152,306	2,059,221	93,085
Public works:								
Department of public works	104,047	105,543	105,533	10	-	-	-	-
Department of transportation	65,182	62,182	62,043	139	3,956	4,510	4,299	211
Taxi cab commission	-	1,463	1,390	73	-	-	-	-
Department of motor vehicles	24,330	24,570	22,941	1,629	-	757	674	83
Washington metro area transit commission	126	126	126	-	-	-	-	-
Mass transit subsidies	256,358	256,294	249,586	6,708	-	-	-	-
District depart of environment	14,796	14,121	13,727	394	26,713	22,656	21,332	1,324
Total public works	464,839	464,299	455,346	8,953	30,669	27,923	26,305	1,618
Other:								
Repayment of loans and interest	462,877	458,732	455,081	3,651	-	20,181	20,181	-
Bond fiscal charges paid from bond proceeds	6,000	6,000	4,420	1,580	-	-	-	-
Repayment of interest on short-term borrowing	4,390	2,118	1,581	537	-	-	-	-
Settlements and judgments fund	21,477	20,977	15,590	5,387	-	-	-	-
Presidential inauguration	-	11,286	8,899	2,387	-	-	-	-
Wilson building	4,193	4,193	3,690	503	-	-	-	-
Schools modernization fund	8,626	8,626	8,626	-	-	-	-	-
District retiree health contribution	107,800	107,800	107,800	-	-	-	-	-
Repayment of revenue bonds	8,222	6,665	6,665	-	-	-	-	-
Certificate of participation	32,542	32,542	31,825	717	-	-	-	-
Convention center transfer-dedicated taxes	106,729	107,041	107,041	-	-	-	-	-
Highway trust fund transfer	23,750	22,389	22,389	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	23,408	28,699	16,229	12,470
Workforce investments	-	502	-	502	-	-	-	-
Operating lease-equipment	50,036	50,036	49,953	83	-	-	-	-
Emergency and contingency reserve funds	750	144	-	144	2,250	2,250	-	2,250
Pay-go capital	4,270	48,439	48,439	-	-	-	-	-
Non-departmental	9,000	270	-	270	-	-	-	-
DC retirement board	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
Total other	850,662	887,760	871,999	15,761	25,658	51,130	36,410	14,720
Total	\$ 6,172,536	\$ 6,372,850	\$ 6,302,371	\$ 70,479	\$ 2,716,396	\$ 2,818,653	\$ 2,629,473	\$ 189,180

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
 Year Ended September 30, 2013
 (\$000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
District of Columbia public schools	3,841	8,464	4,751	3,713	11,808	23,547	19,665	3,882
Public charter schools	-	-	-	-	-	-	-	-
AY14 public charter school advance appropriations	-	-	-	-	-	-	-	-
Teacher's retirement system	-	-	-	-	-	-	-	-
University of the district of Columbia	-	-	-	-	-	-	-	-
State education office	-	96	52	44	5,810	5,810	299	5,511
DC state board of education	-	-	-	-	-	-	-	-
DC public library	-	39	39	-	520	520	29	491
DC public charter school board	-	-	-	-	2,419	-	-	-
Special education tran	-	-	-	-	-	-	-	-
Non-public tuition	-	-	-	-	-	-	-	-
Department of education	-	-	-	-	-	-	-	-
Total public education system	3,841	8,599	4,842	3,757	20,557	29,877	19,993	9,884
Human support services:								
Department of human services	-	41	41	-	1,075	1,075	385	690
Department of health	311	502	284	218	11,544	11,544	9,927	1,617
Department of parks and recreation	-	92	76	16	1,799	1,799	1,602	197
DC office on aging	-	-	-	-	-	-	-	-
Unemployment compensation fund	-	-	-	-	-	-	-	-
Disability compensation fund	-	-	-	-	-	-	-	-
Office of human rights	-	4	4	-	-	-	-	-
Office on latino affairs	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Child and family services	18	159	31	128	1,200	1,200	1,200	-
Dept of mental health	157	111	111	-	4,040	2,946	2,946	-
Asian and pacific islander affairs	-	-	-	-	-	-	-	-
Office of veteran affairs	-	-	-	-	12	12	-	12
Department of youth rehab services	-	-	-	-	-	-	-	-
Department on disability services	-	5	5	-	6,900	5,215	5,143	72
Department of health care finance	-	4	4	-	4,441	3,108	960	2,148
Deputy mayor for health and human services	-	-	-	-	-	-	-	-
Not-for-profit hospital corp	-	-	-	-	-	-	-	-
Total human support services	486	918	556	362	31,011	26,899	22,163	4,736
Public works:								
Department of public works	-	-	-	-	7,105	7,905	6,481	1,424
Department of transportation	-	140	140	-	5,441	15,469	8,850	6,619
Taxi cab commission	-	-	-	-	1,607	1,632	974	658
Department of motor vehicles	-	-	-	-	9,731	9,731	9,351	380
Washington metro area transit commission	-	-	-	-	-	-	-	-
Mass transit subsidies	-	-	-	-	30,579	35,265	35,265	-
District depart of environment	1,150	140	140	-	50,637	42,625	34,257	8,368
Total public works	1,150	280	280	-	105,100	112,627	95,178	17,449
Other:								
Repayment of loans and interest	-	-	-	-	4,547	4,547	4,547	-
Bond fiscal charges paid from bond proceeds	-	-	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	-	12,722	12,722	12,722	-
Emergency planning and security costs	-	-	-	-	-	-	-	-
Workforce investments	-	-	-	-	-	-	-	-
Operating lease-equipment	-	-	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-	-	-
Pay-go capital	-	-	-	-	31,533	39,763	39,763	-
Non-departmental	-	-	-	-	25,161	11,809	-	11,809
DC retirement board	-	-	-	-	30,338	30,338	-	30,338
Housing finance agency	-	-	-	-	8,735	8,735	-	8,735
Total other	-	-	-	-	113,036	107,914	57,032	50,882
Total	\$ 6,305	\$ 15,562	\$ 6,469	\$ 9,093	\$ 514,769	\$ 490,788	\$ 369,624	\$ 121,164

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2013
(\$000s)

	Local Source			Federal Resources		
	Original Budget	Revisions	Revised Budget	Original Budget	Revisions	Revised Budget
Revenues and Sources:						
Taxes:						
Property taxes	\$ 2,008,841	\$ (56,744)	\$ 1,952,097	\$ -	\$ -	\$ -
Sales and use taxes	1,148,676	58,128	1,206,804	-	-	-
Income taxes	1,811,675	317,694	2,129,369	-	-	-
Other taxes	636,303	29,727	666,030	-	-	-
Total taxes	5,605,495	348,805	5,954,300	-	-	-
Licenses and permits	77,940	(8,911)	69,029	-	-	-
Fines and forfeits	178,522	(13,400)	165,122	-	-	-
Charges for services	63,223	4,803	68,026	-	-	-
Miscellaneous	115,900	(9,830)	106,070	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	97,020	(17,023)	79,997
Operating grant	-	-	-	2,619,376	111,030	2,730,406
Bond proceeds	6,000	-	6,000	-	-	-
Fund balance released from restrictions	31,260	82,885	114,145	-	8,250	8,250
Transfer in from Lottery Board	63,175	-	63,175	-	-	-
Transfer in-others	35,326	10,700	46,026	-	-	-
Total revenues and sources	6,176,841	415,052	6,591,893	2,716,396	102,257	2,818,653
Expenditures and Uses:						
Governmental direction and support	552,260	1,284	553,544	29,556	1,358	30,914
Economic development and regulation	147,871	43,629	191,500	86,920	(10,472)	76,448
Public safety and justice	944,598	6,485	951,083	116,564	41,301	157,865
Public education system	1,599,445	(125,254)	1,474,191	304,266	17,801	322,067
Public education AY14 expenditure	-	178,903	178,903	-	-	-
Human support services	1,612,861	58,709	1,671,570	2,122,763	29,543	2,152,306
Public works	464,839	(540)	464,299	30,669	(2,746)	27,923
Repayment of loans and interest	462,877	(4,145)	458,732	-	20,181	20,181
Bond fiscal charges paid from bond proceeds	6,000	-	6,000	-	-	-
Repayment of interest on short-term borrowing	4,390	(2,272)	2,118	-	-	-
Settlements and judgments fund	21,477	(500)	20,977	-	-	-
Presidential inauguration	-	11,286	11,286	-	-	-
Wilson building	4,193	-	4,193	-	-	-
Schools modernization fund	8,626	-	8,626	-	-	-
District retiree health contribution	107,800	-	107,800	-	-	-
Repayment of revenue bonds	8,222	(1,557)	6,665	-	-	-
Certificate of participation	32,542	-	32,542	-	-	-
Convention center transfer-dedicated taxes	106,729	312	107,041	-	-	-
Highway trust fund transfer	23,750	(1,361)	22,389	-	-	-
Emergency planning and security costs	-	-	-	23,408	5,291	28,699
Workforce investments	-	502	502	-	-	-
Operating lease-equipment	50,036	-	50,036	-	-	-
Emergency and contingency reserve funds	750	(606)	144	2,250	-	2,250
Pay-go capital	4,270	44,169	48,439	-	-	-
Non-departmental	9,000	(8,730)	270	-	-	-
DC retirement board	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
Total expenditures and uses	6,172,536	200,314	6,372,850	2,716,396	102,257	2,818,653
Excess of Revenues and Sources Over Expenditures and Uses	\$ 4,305	\$ 214,738	\$ 219,043	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2013
(\$000s)

	Private Grant and Contributions			Other Sources		
	Original Budget	Revisions	Revised Budget	Original Budget	Revisions	Revised Budget
Revenues and Sources:						
Taxes:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Other	-	-	-	494,561	(22,215)	472,346
Federal contributions	-	-	-	-	-	-
Operating grant	6,305	8,978	15,283	-	-	-
Bond proceeds	-	-	-	-	-	-
Fund balance released from restrictions	-	279	279	20,208	(1,766)	18,442
Transfer in from Lottery Board	-	-	-	-	-	-
Transfer in-others	-	-	-	-	-	-
Total revenues and sources	6,305	9,257	15,562	514,769	(23,981)	490,788
Expenditures and Uses:						
Governmental direction and support	-	576	576	50,170	(16,087)	34,083
Economic development and regulation	528	4,481	5,009	143,919	(5,618)	138,301
Public safety and justice	300	(120)	180	50,976	(9,889)	41,087
Public education system	3,841	4,758	8,599	20,557	9,320	29,877
Public education FY14 expenditure	-	-	-	-	-	-
Human support services	486	432	918	31,011	(4,112)	26,899
Public works	1,150	(870)	280	105,100	7,527	112,627
Repayment of loans and interest	-	-	-	4,547	-	4,547
Bond fiscal charges paid from bond proceeds	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	12,722	-	12,722
Emergency planning and security costs	-	-	-	-	-	-
Workforce investments	-	-	-	-	-	-
Operating lease-equipment	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-
Pay-go capital	-	-	-	31,533	8,230	39,763
Non-departmental	-	-	-	25,161	(13,352)	11,809
DC retirement board	-	-	-	30,338	-	30,338
Housing finance agency	-	-	-	8,735	-	8,735
Total expenditures and uses	6,305	9,257	15,562	514,769	(23,981)	490,788
Excess of Revenues and Sources Over Expenditures and Uses						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



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CAFR

2013

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



VINCENT C. GRAY
MAYOR

NATWAR M. GANDHI
CHIEF FINANCIAL OFFICER
JUNE 2000–JANUARY 2014

JEFF DEWITT
CHIEF FINANCIAL OFFICER
PRESENT

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

Year Ended September 30, 2013



Statistical Section

(Unaudited)

This section contains statistical tables that reflect information on financial trends, revenue capacity, debt capacity, demographics and the economy, and other data regarding the District's operations. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The Statistical Section is divided into 5 sections as follows:

<u>Section</u>	<u>Page</u>
1. Financial Trends	163
2. Revenue Capacity.....	171
3. Debt Capacity	177
4. Demographic and Economic Information	183
5. Operating Information	185



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1. Financial Trends

These schedules contain trend information, which may be used to better understand how the District's financial performance and well-being have changed over time.

Net Position By Component Last Ten Fiscal Years (accrual basis of accounting, dollars in thousands)		Exhibit S-1A									
NET POSITION		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
								*		*	**
Governmental activities											
Net investment in capital assets	\$	774,533	\$ 1,069,731	\$ 958,597	\$ 1,197,275	\$ 1,794,279	\$ 2,155,206	\$ 2,437,385	\$ 2,534,538	\$ 2,872,272	\$ 2,849,043
Restricted		807,839	930,021	987,650	1,269,708	1,156,213	852,061	1,117,560	963,694	1,057,582	1,264,682
Unrestricted		(370,474)	(249,088)	167,779	92,345	(404,959)	(505,804)	(739,720)	(527,647)	(601,284)	(632,045)
Total governmental activities net position		1,211,898	1,750,664	2,114,026	2,559,328	2,545,533	2,501,463	2,815,225	2,970,585	3,328,570	3,481,680
Business-type activities											
Net investment in capital assets		17,927	16,183	17,505	17,211	16,747	16,012	4,827	478	480	427
Restricted		288,224	322,893	347,938	375,148	374,282	304,773	233,296	226,229	229,930	241,952
Unrestricted		34,829	34,968	29,000	25,980	24,773	25,864	8,628	3,501	3,607	3,911
Total business-type activities net position		340,980	374,044	394,443	418,339	415,802	346,649	246,751	230,208	234,017	246,290
Primary government											
Net investment in capital assets		792,460	1,085,914	976,102	1,214,486	1,811,026	2,171,218	2,442,212	2,535,016	2,872,752	2,849,470
Restricted		1,096,063	1,252,914	1,335,588	1,644,856	1,530,495	1,156,834	1,350,856	1,189,923	1,287,512	1,506,634
Unrestricted		(335,645)	(214,120)	196,779	118,325	(380,186)	(479,940)	(731,092)	(524,146)	(597,677)	(628,134)
Total primary government net position	\$	1,552,878	\$ 2,124,708	\$ 2,508,469	\$ 2,977,667	\$ 2,961,335	\$ 2,848,112	\$ 3,061,976	\$ 3,200,793	\$ 3,562,587	\$ 3,727,970

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 & 2012 information has been adjusted

** In FY2013, the District implemented GASB #65 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2013.

Source: Information was extracted from Exhibit 1-a, Statement of Net Position, Page 42.

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting, dollars in thousands)

Exhibit S-1B

**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Expenses										
Governmental direction and support	\$ 554,614	\$ 641,964	\$ 574,097	\$ 787,392	\$ 834,694	\$ 878,219	\$ 871,240	\$ 783,557	\$ 987,978	\$ 993,774
Economic development and regulation	253,311	283,186	391,203	509,874	499,644	470,567	374,149	370,592	353,618	460,082
Public safety and justice	1,007,755	1,036,120	1,124,896	1,264,715	1,384,517	1,407,166	1,563,505	1,521,863	1,490,423	1,497,016
Public education system	1,301,807	1,374,538	1,486,112	1,589,652	1,787,635	1,937,238	1,989,518	2,086,722	2,113,955	2,224,946
Human support services	2,537,195	2,663,556	2,967,372	2,992,805	3,285,325	3,598,570	3,677,405	3,889,812	3,925,613	4,086,722
Public works	313,580	307,247	351,917	481,702	586,649	553,233	497,027	489,304	587,002	603,423
Public transportation	162,602	167,783	187,615	198,484	214,905	230,499	243,668	257,703	221,339	284,851
Interest on long-term debt	189,697	201,882	269,725	281,918	293,339	336,536	324,319	356,164	397,216	382,530
Total governmental activities expenses	6,320,561	6,676,276	7,352,937	8,106,542	8,886,708	9,412,028	9,540,831	9,755,717	10,077,144	10,533,344
Program revenues										
Charges for services, fees, fines & forfeitures:										
Economic development and regulation	83,866	92,198	94,487	102,230	111,105	105,148	112,074	126,407	134,410	136,436
Public works	134,875	132,533	146,628	151,957	206,771	196,119	219,005	228,287	191,960	170,810
Others	81,369	102,431	84,298	80,790	61,273	98,211	118,943	135,407	211,033	223,969
Operating grants & contributions	2,060,973	2,098,723	2,155,035	2,309,495	2,178,275	2,813,568	3,321,671	3,343,747	3,190,038	3,277,118
Capital grants & contributions	151,334	112,704	119,715	130,557	175,841	180,602	259,277	172,964	261,411	270,813
Total governmental activities program revenues	2,512,417	2,538,589	2,600,163	2,775,029	2,733,265	3,393,648	4,030,970	4,006,812	3,988,852	4,079,146
Net expenses	(3,808,144)	(4,137,687)	(4,752,774)	(5,331,513)	(6,153,443)	(6,018,380)	(5,509,861)	(5,748,905)	(6,088,292)	(6,454,198)
General revenues										
Taxes:										
Property taxes	1,017,653	1,150,672	1,272,998	1,545,325	1,787,365	1,951,345	1,881,733	1,803,691	1,945,071	2,012,788
Sales and use taxes	828,391	957,394	1,004,471	1,056,780	1,101,859	1,052,011	1,081,005	1,121,257	1,218,576	1,247,374
Income and franchise taxes	1,299,009	1,472,432	1,591,483	1,736,361	1,755,894	1,478,068	1,434,131	1,656,283	1,956,590	2,094,179
Gross receipts taxes	271,897	295,819	278,453	302,768	302,873	315,976	295,531	279,002	319,036	345,852
Other taxes	379,521	377,213	390,542	498,198	413,401	261,909	264,959	403,199	404,066	400,308
Grants and contributions - unrestricted	24,543	-	-	-	-	-	-	-	-	-
Investment earnings	16,211	39,811	73,207	124,420	95,847	28,242	19,156	6,122	21,944	6,071
Miscellaneous	314,596	311,662	431,182	456,425	458,469	530,847	447,368	563,400	514,590	580,097
Special items	-	-	-	(8,838)	153,640	287,137	266,942	-	-	-
Transfers	73,500	71,450	73,800	65,376	70,300	68,775	96,624	71,311	66,404	68,314
Total governmental activities general revenues	4,225,321	4,676,453	5,116,136	5,776,815	6,139,648	5,974,310	5,787,449	5,904,265	6,446,277	6,754,983
Change in net position --- governmental activities	\$ 417,177	\$ 538,766	\$ 363,362	\$ 445,302	\$ (13,795)	\$ (44,070)	\$ 277,588	\$ 155,360	\$ 357,985	\$ 300,785

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted

** In FY2013, the District implemented GASB #65 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2013.

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 43.

Statistical Section

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting, dollars in thousands)										Exhibit S-1B (Continued) **	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Business activities											
Expenses											
Lottery and games	\$ 167,938	\$ 164,066	\$ 193,907	\$ 192,336	\$ 182,981	\$ 176,625	\$ 163,393	\$ 169,526	\$ 183,185	\$ 173,927	
Unemployment compensation	113,888	92,728	102,749	99,920	150,237	370,775	480,976	408,997	344,913	255,645	
Nursing home services	33,023	35,066	35,434	37,556	40,837	44,601	18,817	4,555	-	-	
Total business-type activities expenses	314,849	291,860	332,090	329,812	374,055	592,001	663,186	583,078	528,098	429,572	
Program revenues											
Charges for services, fees, fines & forfeitures:											
Lottery and games	241,133	234,931	266,391	256,824	252,721	245,370	230,159	231,749	249,675	242,460	
Nursing home services	30,907	32,184	29,154	31,849	37,435	43,424	19,991	4,135	-	-	
Operating grants & contributions	26,588	16,707	14,825	18,358	21,191	36,985	36,998	34,968	27,945	32,790	
Capital grants & contributions	15,464	-	-	-	-	-	-	-	-	-	
Total business-type activities program revenues	314,092	283,822	310,370	307,031	311,347	325,779	287,148	270,852	277,620	275,250	
Net expenses	(757)	(8,038)	(21,720)	(22,781)	(62,708)	(266,222)	(376,038)	(312,226)	(250,478)	(154,322)	
General revenues											
Taxes:											
Other taxes	97,196	92,985	95,888	90,117	92,733	94,622	129,471	128,875	133,618	131,025	
Investment earnings	16,847	18,887	19,321	20,841	21,317	19,061	13,584	11,764	8,517	7,723	
Miscellaneous	250	680	710	1,095	16,355	152,161	229,709	226,355	178,556	96,161	
Transfers	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)	(68,775)	(96,624)	(71,311)	(66,404)	(68,314)	
Total business-type activities general revenues	40,793	41,102	42,119	46,677	60,105	197,069	276,140	295,683	254,287	166,595	
Change in net position --- business-type activities	\$ 40,036	\$ 33,064	\$ 20,399	\$ 23,896	\$ (2,603)	\$ (69,153)	\$ (99,898)	\$ (16,543)	\$ 3,809	\$ 12,273	
Total primary government											
Expenses	\$ 6,635,410	\$ 6,968,136	\$ 7,685,027	\$ 8,436,354	\$ 9,260,763	\$ 10,004,029	\$ 10,204,017	\$ 10,338,795	\$ 10,605,242	\$ 10,962,916	
Program revenues	2,820,257	2,822,411	2,910,533	3,082,060	3,044,612	3,719,427	4,318,118	4,277,664	4,266,472	4,354,396	
Net (expenses)/revenues	(3,815,153)	(4,145,725)	(4,774,494)	(5,354,294)	(6,216,151)	(6,284,602)	(5,885,899)	(6,061,131)	(6,338,770)	(6,608,520)	
General revenues	4,272,366	4,717,555	5,158,255	5,823,492	6,199,753	6,171,379	6,063,589	6,199,948	6,700,564	6,921,578	
Change in net position --- primary government	\$ 457,213	\$ 571,830	\$ 383,761	\$ 469,198	\$ (16,398)	\$ (113,223)	\$ 177,690	\$ 138,817	\$ 361,794	\$ 313,058	

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted

** In FY2013, the District implemented GASB #65 and restated the beginning net position. The effect of this restatement is not reflected in information presented for years prior to FY2013.

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 43.

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

Exhibit S-1C

	2004	2005	2006	2007	2008	2009	2010 [*]
General Fund							
Reserved	\$ 607,903	\$ 1,110,770	\$ 1,045,560	\$ 1,135,459	\$ 957,977	\$ 703,694	\$ 836,181
Unreserved	607,112	473,913	389,582	358,541	286,745	216,789	94,588
Total general fund	\$ 1,215,015	\$ 1,584,683	\$ 1,435,142	\$ 1,494,000	\$ 1,244,722	\$ 920,483	\$ 930,769
All other governmental funds							
Reserved, reported in:							
Special revenue funds	\$ 239,291	\$ 249,911	\$ 321,878	\$ 460,556	\$ 465,229	\$ 507,678	\$ 555,476
Capital project funds	43,914	86,530	732,602	835,024	629,805	417,212	137,922
Unreserved, reported in:							
Capital project funds	(273,432)	(312,161)	-	-	-	-	-
Total all other governmental funds	\$ 9,773	\$ 24,280	\$ 1,054,480	\$ 1,295,580	\$ 1,095,034	\$ 924,890	\$ 693,398

	2011	2012	2013
General Fund			
Nonspendable	\$ 18,465	\$ 20,357	\$ 16,015
Restricted	756,650	856,277	976,071
Committed	256,287	595,008	659,567
Assigned	73,492	34,879	97,275
Unassigned	-	-	-
Total general fund	\$ 1,104,894	\$ 1,506,521	\$ 1,748,928
All other governmental funds			
Nonspendable	\$ -	\$ -	\$ -
Restricted	621,740	541,642	717,664
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	(116,269)	-
Total all other governmental funds	\$ 621,740	\$ 425,373	\$ 717,664

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted.

In FY2011, the District implemented GASB Statement #54; presentation is not comparable to prior years.

Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 44.

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

Exhibit S-ID

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	\$ 3,806,906	\$ 4,251,191	\$ 4,472,845	\$ 5,146,007	\$ 5,333,118	\$ 5,042,487	\$ 4,956,910	\$ 5,260,486	\$ 5,833,054	\$ 6,128,210
Fines and forfeits	102,828	111,146	112,919	101,971	99,452	106,169	128,473	129,448	185,771	178,708
Licenses and permits	62,968	82,093	81,222	89,072	94,988	91,230	86,951	102,769	99,300	105,081
Charges for services	134,314	133,923	131,273	143,934	184,709	202,079	234,598	257,884	252,332	247,426
Investment earnings	16,211	39,811	73,206	124,420	95,847	28,242	19,156	5,789	21,728	6,608
Miscellaneous	305,039	311,573	489,067	444,262	457,747	524,046	447,365	549,006	514,694	511,582
Federal contributions	393,928	382,966	362,075	440,962	433,206	573,446	670,186	617,845	554,979	555,038
Operating grants	1,842,922	1,828,461	1,912,675	1,999,090	1,920,910	2,420,724	2,910,762	2,898,866	2,896,470	2,992,893
Total revenues	6,665,116	7,141,164	7,635,282	8,489,718	8,619,977	8,988,423	9,454,401	9,822,093	10,358,328	10,725,546
EXPENDITURES										
Governmental direction and support	483,185	590,344	611,620	651,974	695,175	672,463	657,935	698,117	787,331	810,803
Economic development and regulation	236,220	267,335	348,091	444,508	461,707	405,140	388,424	351,814	318,266	383,143
Public safety and justice	984,062	1,034,456	1,133,800	1,241,684	1,369,907	1,381,873	1,546,473	1,517,640	1,469,727	1,513,469
Public education system	1,284,448	1,340,767	1,439,510	1,541,194	1,716,701	1,850,200	1,904,023	1,943,438	1,980,384	2,084,613
Human support services	2,563,646	2,657,848	2,952,637	2,975,821	3,222,979	3,485,267	3,669,367	3,823,317	3,881,043	4,042,204
Public works	164,231	175,300	184,200	329,942	416,982	388,713	318,590	265,750	342,215	287,598
Public transportation	162,602	167,783	187,615	198,484	214,905	230,499	243,668	257,703	221,339	284,851
Debt service:										
Principal	152,086	183,845	205,654	232,389	251,998	277,523	209,746	211,696	217,645	254,312
Interest and other charges	189,697	202,387	225,195	258,769	287,354	292,484	300,123	333,872	375,461	410,020
Fiscal charges	13,721	9,277	31,958	15,095	25,330	19,659	64,532	14,296	15,447	8,640
Total debt service	355,504	395,509	462,807	506,253	564,682	589,666	574,401	559,864	608,553	672,972
Subtotal expenditures	6,233,898	6,629,342	7,320,280	7,889,860	8,663,038	9,003,821	9,302,881	9,417,643	9,608,858	10,079,653
Capital outlay	666,649	615,089	901,204	1,024,541	1,390,415	1,130,971	1,359,488	1,189,356	1,152,943	1,208,481
Total expenditures	6,900,547	7,244,431	8,221,484	8,914,401	10,053,453	10,134,792	10,662,369	10,606,999	10,761,801	11,288,134
Excess (deficiency) of revenues over (under) expenditures	(235,431)	(103,267)	(586,202)	(424,683)	(1,433,476)	(1,146,369)	(1,207,968)	(784,906)	(403,473)	(562,588)
OTHER FINANCING SOURCES (USES)										
Debt issuance	325,726	386,370	1,342,612	610,580	664,105	491,645	750,298	745,025	439,370	833,286
Refunding debt issuance	-	-	116,475	251,155	675,895	580,140	835,010	63,860	608,210	25,005
Premium on sale of bonds	-	14,478	39,944	16,063	36,282	50,198	89,505	24,711	124,679	154,681
Payment to escrow agent	-	-	(136,137)	(264,334)	(675,385)	(607,640)	(855,011)	(63,335)	(679,843)	(28,929)
Other sources	9,557	89	-	-	-	-	-	-	-	-
Proceeds from capital lease	503	19	-	-	-	-	-	-	-	-
Equipment financing program	20,822	15,036	30,167	42,471	36,479	62,068	34,162	45,801	49,463	41,016
Transfers in	109,717	193,439	685,206	694,229	477,829	447,639	429,033	302,059	353,087	364,563
Transfers out	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)	(378,864)	(332,409)	(230,748)	(286,683)	(296,249)
Sale of capital assets	-	-	-	12,168	726	6,800	-	-	450	3,913
Total other financing sources	430,108	487,442	1,466,861	733,479	808,402	651,986	950,588	887,373	608,733	1,097,286
Special items	-	-	-	(8,838)	175,250	-	-	-	-	-
Net change in fund balances	\$ 194,677	\$ 384,175	\$ 880,659	\$ 299,958	\$ (449,824)	\$ (494,383)	\$ (257,380)	\$ 102,467	\$ 205,260	\$ 534,698
Total capitalized expenditures	\$ 690,609	\$ 648,795	\$ 771,069	\$ 857,739	\$ 1,402,291	\$ 1,222,453	\$ 1,455,655	\$ 936,823	\$ 999,605	\$ 925,053
Debt service as a percentage of noncapital expenditures	5.50%	5.86%	5.78%	6.10%	6.23%	6.40%	5.54%	5.64%	6.08%	6.41%

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.

Exhibit S-1E

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

Fiscal Year	Property Tax			Rental	Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Personal						
2004	\$ 947,690	\$ 63,558	\$ 16,840	\$	828,391	\$ 1,299,009	\$ 271,897	\$ 379,521	\$ 3,806,906
2005	1,058,100	72,068	18,165		957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336		970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239		1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086		1,101,859	1,755,894	302,873	413,401	5,333,118
2009	1,832,748	69,163	32,612		1,052,011	1,478,068	315,976	261,909	5,042,487
2010	1,790,519	56,501 *	34,264 **		1,081,005	1,434,131	295,531	264,959	4,956,910
2011	1,715,069	52,696	32,980		1,121,257	1,656,283	279,002	403,199	5,260,486
2012	1,843,918	55,734	35,134		1,218,576	1,956,590	319,036	404,066	5,833,054
2013	1,940,169	54,878	45,450		1,247,374	2,094,179	345,852	400,308	6,128,210

* Due to the District's Policy change on the recognition of personal property tax revenues, FY2010 Information has been adjusted

** Corrected to reflect proper classification

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.



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2. Revenue Capacity

These schedules contain information regarding the District's most significant local revenue sources: property, income, and sales and use taxes.

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-2A

Fiscal Year	Estimated Actual Value		Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate**	Tax Exempt as a % of Total Value
	Commercial Property	Residential Property *					
2004	\$ 33,752,889	\$ 32,701,220	\$ 66,454,109	\$ 43,234,068	\$ 109,688,177	1.35	39.4%
2005	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
2006	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
2007	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
2008	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%
2009	68,495,502	84,544,053	153,039,555	81,211,121	234,250,676	1.29	34.7%
2010	68,254,862	81,862,427	150,117,289	82,113,504	232,230,793	1.30	35.4%
2011	59,224,100	80,063,402	139,287,502	81,528,158	220,815,660	1.25	36.9%
2012	65,903,077	80,598,880	146,501,957	83,399,263	229,901,220	1.26	36.3%
2013	70,337,945	81,406,777	151,744,722	84,690,034	236,434,756	1.23	35.8%

* After deduction of homestead exemption and credits against tax for 2004-2007

Does not reflect the 2004 & 2005 Cap Assessment of 12% for Class 01 with Homestead Exemptions

Does not reflect the 2006-2012 Cap Assessment of 10% for Class 01 with Homestead Exemptions

After deduction of Homestead Exemption for 2008- 2012

**The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Note: Assessed value is 100 percent of estimated actual value

Source: Office of Tax and Revenue

Direct Property Tax Rates
Last Ten Fiscal Years

Exhibit S-2B

Fiscal Year	Basic Rate	Direct Property Tax Rate		Total Direct
		General Obligation Debt Service	Redevelopment Program	
2004	0.90	0.45	-	1.35
2005	0.92	0.45	-	1.37
2006	0.94	0.40	-	1.34
2007	0.86	0.45	-	1.31
2008	0.98	0.32	-	1.30
2009	1.01	0.28	-	1.29
2010	1.02	0.28	-	1.30
2011	0.97	0.28	-	1.25
2012	1.12	0.14	-	1.26
2013	1.12	0.11	-	1.23

Note:

The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: Office of Tax and Revenue

Major Tax Rates
Last Ten Fiscal Years

Exhibit S-2C

Fiscal Year	Property (per \$100 of assessed value)					Sales and Use			Income and Franchise		Gross Receipt		
	Residential		Commercial			Personal	General (1)	Cigarette (2)	Motor Fuel (3)	Individual (4)	Business (5)	Public Utility (6)	
	Owner	Tenant	Hotels	Improved	Unimproved							Commercial	Residential
	occupied	occupied											
2004	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2005	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.090	0.09975	0.11	0.10
2006	0.92	0.92	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.045-.087	0.09975	0.11	0.10
2007	0.88	0.88	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2008	0.85	0.85	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2009	0.85	0.85	1.65/1.85*	1.65/1.85*	10.00	3.40	0.0575	2/2.5**	0.20	.040-.085	0.09975	0.11	0.10
2010	0.85	0.85	1.65/1.85	1.65/1.85	10.00	3.40	0.06	2/2.5	0.24	.040-.085	0.09975	0.11	0.10
2011	0.85	0.85	1.85	1.85	0.85/1.65/1.85	3.40	0.0600	2.5/3.13	0.24	.040-.085	0.09975	0.11	0.10
2012	0.85	0.85	1.85	1.85	0.85/1.65/1.85	3.40	0.0600	2.86/3.57	0.24	.040-.089	0.09975	0.11	0.10
2013	0.85	0.85	1.85	1.85	0.85/1.65/1.85	3.40	0.0600	2.86/3.57	0.24	.040-.089	0.09975	0.11	0.10

Source: Office of Tax and Revenue

* \$1.65 for Commercial Improved properties assessed at up to \$3 million; 1.85 for all residuals above \$3 million.

** \$2 per pack of 20 and \$2.50 per pack of 25

(1) Of sales value

(2) Per package of 20 & 25

(3) Per gallon

(4) Of taxable income

(5) Of net income

(6) Of gross charges (gas, lighting, telephone)

Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars in thousands)

Exhibit S-2D

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	\$ 610,135	1	0.402%	\$ ***	***	***
CC OWNER LLC	573,487	2	0.378%	154,692	15	0.233%
MANUFACTURERS LIFE INSURANCE	493,219	3	0.325%	273,919	1	0.412%
CARR CRHP PROPERTIES LLC	481,205	4	0.317%	237,570	3	0.357%
WASHINGTON SQUARE LIMITED PARTNERSHIP	411,014	5	0.271%	255,005	2	0.384%
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	400,025	6	0.264%	166,295	11	0.250%
SECOND ST HOLDING LLC	376,497	7	0.248%	19,027	164	0.029%
WARNER INVESTMENTS LP	367,622	8	0.242%	216,269	6	0.325%
13TH F ASSOCIATES	345,600	9	0.228%	***	***	***
OCEAN VIEW DEVELOPMENT COMPANY LP	333,256	10	0.220%	101,019	48	0.152%

*** Property was not active in 2004

Source: Office of Tax and Revenue

Ten Highest Assessed Values For Tax Exempt Properties
Current Year
(dollars in thousands)

Exhibit S-2E

Property	Value
INTERNATIONAL FINANCE CORPORATION	\$551,949
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	\$488,892
INTER-AMERICAN DEVELOPMENT BANK	\$416,621
CATHOLIC UNIVERSITY OF AMERICA	\$386,066
PRESIDENT & DIRECTORS OF GEORGETOWN UNIVERSITY	\$360,902
INTERNATIONAL MONETARY FUND	\$318,117
INTERNATIONAL MONETARY FUND	\$302,494
PROTESTANT EPISCOPAL CATHEDRAL FOUNDATION DC	\$283,881
THE FREEDOM FORUM INC	\$255,647
HOWARD UNIVERSITY	\$252,609

Note: Duplicate property listings result from owners with multiple properties.
Source: Office of Tax and Revenue

Property Tax Levies and Collections
Last Six Fiscal Years
(dollars in thousands)

Exhibit S-2F

Fiscal Year Ended Sept 30	Current Levy			Prior Years			Total		
	Levy	Collections	Percent Collected	Outstanding Balances Billed	Collections	Percent Collected	Billed	Collected	Total
2008	\$ 1,662,835	1,615,583 (1)	97.2%	70,895	59,885 (1)	84.5%	1,733,730	1,675,468	96.6%
2009	1,861,953	1,752,290 (2)	94.1%	100,910	65,868 (2)	65.3%	1,962,863	1,818,158	92.6%
2010	1,792,100	1,735,602 (3)	96.8%	144,883	94,683 (3)	65.4%	1,936,983	1,830,285	94.5%
2011	1,639,902	1,610,533	98.2%	226,333	111,465	49.2%	1,866,235	1,721,998	92.3%
2012	1,814,958	1,784,196	98.3%	152,954	78,989	51.6%	1,967,912	1,863,185	94.7%
2013	1,909,967	1,872,534	98.0%	145,546	82,977	57.0%	2,055,513	1,955,511	95.1%

- (1) Previously reported collections for 2008 include tax overpayments for both the current levy and prior years balances of \$7,490 and \$7,500 respectively.
(2) Previously reported collections for 2009 include tax overpayments for both the current levy and prior years balances of \$8,648 and \$3,615 respectively.
(3) Previously reported collections for 2010 include tax overpayments for both the current levy and prior years balances of \$10,940 and \$2,361 respectively.

Note: Table reflects a modification to the tax levy data previously reported, which included new billings of prior year tax, penalty and interest amounts due. Data has been reformatted to specifically identify prior year amounts included in the annual amounts billed. The table reflects six years of data, as the detailed information on delinquent amounts included in the tax levy for years 2002 - 2006 is not available in the format required.

Source: Office of Tax and Revenue

**Personal Income Tax Rates
Last Ten Fiscal Years**

Exhibit S-2G

		Top Income Tax Rate Is Applied to Taxable Income in Excess of Listed Amounts			* Average Effective Rate
Year	Top Rate	Married			
		Single	Filling Jointly	Head of Household	
2004	9.30%	30,000	30,000	30,000	6.65%
2005	9.00%	30,000	30,000	30,000	6.68%
2006	8.70%	40,000	40,000	40,000	6.45%
2007	8.50%	40,000	40,000	40,000	6.20%
2008	8.50%	40,000	40,000	40,000	5.93%
2009	8.50%	40,000	40,000	40,000	5.64%
2010	8.50%	40,000	40,000	40,000	5.36%
2011	8.50%	40,000	40,000	40,000	5.32%
2012	** 8.95%	350,000	350,000	350,000	5.48%
2013	8.95%	350,000	350,000	350,000	N/A

N/A: Not Available

* Fiscal year personal income tax collections divided by prior-year personal income.

** 2012 numbers reflect tax law changes.

Source: Office of Tax and Revenue

**Personal Income Tax Filers and Liability by Income Level
Current Year and Nine Years Ago**

Exhibit S-2H

Income Level	2013				2004*			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	58,357	16.4%	\$ 1,212,765,575	73.7%	28,924	9.8%	\$ 592,494,040	59.0%
\$75,001 -- \$100,000	27,655	7.8%	136,212,865	8.3%	15,793	5.4%	89,831,119	9.0%
\$50,001 -- \$75,000	47,816	13.4%	146,218,169	8.9%	32,575	11.1%	121,491,832	12.1%
\$25,001 -- \$50,000	81,692	23.0%	117,619,169	7.2%	79,155	26.9%	147,082,991	14.7%
\$10,001 -- \$25,000	70,266	19.8%	29,218,974	1.8%	71,119	24.1%	46,607,662	4.7%
\$10,000 -- and lower	69,911	19.6%	2,390,166	0.1%	66,942	22.7%	4,804,965	0.5%
Total	355,697	100.0%	\$ 1,644,424,918	100.0%	294,508	100.0%	\$ 1,002,312,609	100.0%

Note: Amounts not expressed in thousands.

* 2004 numbers were adjusted due to delinquent filers.

Source: Office of Tax and Revenue



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3. Debt Capacity

These schedules present information showing the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

**Ratios of General Obligation Bonds Outstanding
Last Ten Fiscal Years**
(dollars in thousands, except per capita)

Exhibit S-3A

Fiscal Year	General Obligation Bonds (GO)	Actual Value of Taxable Property	GO Bonds as a Percentage of Actual Value of Taxable Property	GO Debt Per Capita *
2004	\$ 3,418,933	\$ 66,454,109	5.14%	\$ 6,022
2005	3,632,198	86,887,767	4.18%	6,404
2006	3,773,863	98,491,335	3.83%	6,613
2007	4,140,133	124,875,273	3.32%	7,208
2008	4,592,518	142,958,188	3.21%	7,915
2009	3,766,628	153,039,555	2.46%	6,360
2010	2,781,053	150,117,289	1.85%	4,597
2011	2,829,598	139,287,502	2.03%	4,567
2012	2,295,225	146,501,957	1.57%	3,624
2013	2,245,185	151,744,722	1.48%	3,473

* The prior year per capita amounts were updated to reflect the revised census population estimates.

Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-3B

Fiscal Year	Tax Increment Financing Debts				Income Tax Secured Revenue Bonds				
	Sales Tax Increment	Real Property Tax Increment	Debt Service		Individual Income Tax	Business		Debt Service	
			Principal	Interest		Franchise	Principal	Interest	Coverage
2004	\$ 790	\$ -	\$ -	4,236	-	-	-	-	18.65%
2005	4,507	2,397	4,942	4,764	-	-	-	-	71.13%
2006	8,299	974	4,809	4,899	-	-	-	-	95.52%
2007	8,948	3,516	4,666	5,042	-	-	-	-	128.39%
2008	9,090	1,563	4,565	5,147	-	-	-	-	109.69%
2009	10,032	4,918	4,467	5,245	1,135,938	342,130	-	7,974	153.93%
2010	7,529	4,431	4,390	5,320	1,110,444	323,687	-	59,710	123.17%
2011	10,904	3,750	4,323	5,385	1,296,598	359,684	23,160	136,175	150.95%
2012	9,747	9,711	8,034	6,452	1,490,694	465,896	90,755	134,090	134.32%
2013	11,238	7,119	4,203	6,496	1,640,899	453,280	117,740	193,898	171.58%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

Beginning FY 2010, the District revised the presentation of the Exhibit by removing sales tax increment and real property tax increment that were dedicated to tax increment financing other than the Gallery Place TIF Bonds and the Mandarin Hotel TIF Bonds for which the principal and interest components of debt service were indicated.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities												Total			
	General Obligation Bonds	Income Tax Secured Bonds	Qualified Zone Academy Bonds		Certificates of Participation	Capital Leases	Ballpark Bonds	HPTF Bonds(3)	PILOT Revenue Bonds(4)	GARVEE Bonds(5)	Tobacco Bonds(1)	Total Debt				
			TIF Bonds	Bonds												
2004	\$ 3,418,933	\$ -	\$ 124,009	\$ 3,071	\$ 128,345	\$ 84,456	\$ -	\$ -	\$ -	\$ -	\$ 502,740	\$ 4,261,554	\$ 29,082,500	14.7%	\$ 7,506	\$ 6,620
2005	3,632,198	-	117,525	2,815	120,760	76,390	-	-	-	-	498,740	4,448,428	31,484,750	14.1%	7,844	6,964
2006	3,773,863	-	109,895	5,221	278,100	67,942	534,800	-	-	-	742,284	5,512,105	34,066,250	16.2%	9,659	8,358
2007	4,140,133	-	105,229	4,787	270,780	59,868	528,490	34,105	-	-	737,069	5,880,461	36,817,750	16.0%	10,238	8,954
2008	4,592,518	-	100,664	6,713	261,375	52,403	526,415	33,570	155,630	-	724,484	6,453,772	40,359,750	16.0%	11,123	9,874
2009	3,766,628	1,071,785	96,196	6,044	251,515	44,492	521,750	33,010	142,138	-	711,239	6,644,797	40,515,750	16.4%	11,220	10,019
2010	2,781,053	2,570,650	91,807	9,518	241,185	36,108	517,390	85,615	156,621	-	699,779	7,189,726	42,179,750	17.0%	11,884	10,727
2011	2,829,598	3,029,100	87,484	8,573	230,335	27,433	512,850	84,335	142,375	82,610	690,289	7,724,982	45,029,250	17.2%	12,479	11,364
2012	2,295,225	3,799,645	112,985	7,628	218,935	18,972	507,935	82,805	127,924	78,775	677,219	7,928,048	46,686,500	17.0%	12,538	11,467
2013	2,245,185	4,457,675	108,782	6,682	206,965	11,024	502,255	120,450	82,207	117,570	647,459	8,506,254	48,118,236	17.7%	13,158	12,157

Note: There are no business type activities with outstanding debt.

Prior year per capita amounts were updated to reflect U.S. Census Bureau population estimates.

Convention Center bonds are neither reported nor included in this table.

(1) Tobacco bonds are not supported by general tax revenues and are not included in the Total "Tax Supported Debt" Per Capita calculation.

(2) The prior year personal income amounts were updated to reflect current methodology.

(3) HPTF - Housing Production Trust Fund

(4) PLOT - Payments in Lieu of Taxes

(5) GARVEE - Federal Highway Grant Anticipation Revenue Bonds

Legal Debt Margin Information

Last Ten Fiscal Years

(dollars in thousands)

Exhibit S-3D

Debt Service Cost Margin Calculation for Fiscal Year 2013:

General fund revenue \$ 6,854,593

Debt service cost limitation (17% of general fund revenue) \$ 1,165,281

Debt expenditure applicable to limit:

Principal \$ 193,504

Interest 320,135

Subtotal for current year 513,639

Highest debt service cost 513,639

Total debt service cost subject to the limitation \$ 513,639

Debt service cost margin \$ 651,642

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt service cost limitation	\$ 735,472	\$ 823,558	\$ 875,852	\$ 1,000,684	\$ 1,039,711	\$ 1,002,774	\$ 977,459	\$ 1,019,192	\$ 1,119,360	\$ 1,165,281
Highest future year debt service cost	339,003	359,735	383,659	406,161	456,152	408,506	408,555	456,152	464,994	513,639
Debt service cost margin	\$ 396,469	\$ 463,823	\$ 492,193	\$ 594,523	\$ 583,559	\$ 594,268	\$ 568,904	\$ 563,040	\$ 654,366	\$ 651,642
Total debt service cost subject to the limit as a percentage of debt service cost limit	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %	40.7 %	41.8 %	44.8 %	41.5 %	44.1 %
Debt limit ratio	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %	6.9 %	7.1 %	7.6 %	7.1 %	7.5 %

Note: Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues.

(dollars in thousands)

FY 2013 Debt service percentage:

The purpose of this exhibit is to comply with debt limitation requirement.

1. Interest on Floating Rate General Obligation, Income Tax Secured Revenue and Ballpark Revenue Bonds assumed at 1.5% through FY 2015.

2. TIF Bonds include the Gallery Place and Mandarin Oriental Hotel projects and the City Market at O Street projects.
3. TIF Notes include the Capitol Hill Towers, Clyde's, Forever 21, Georgia Avenue CVS, Fort Lincoln, Howard Theatre, Madame Tussaud's, the National Crime & Punishment Museum, Verizon Center, Waterfront Arts, and the Zara projects.
4. PILOT Bonds include Anacostia Waterfront Corp. and Capper/Carrollsborg projects.
5. The Capper/Carrollsborg (PILOT) Bonds, matured December 1, 2012, and was refunded by the District's Income Tax Secured Revenue Refunding Bonds, Series 2012D.
6. PILOT Notes include Rhode Island Place and Foundry Lofts projects.
7. Other Loans Payable include the financing agreement with S/C 225 Virginia Avenue, LLC.

4. Demographic and Economic Information

These schedules offer demographic and economic data to help explain the environment within which the District's financial activities take place. This information also facilitates comparisons of financial statement information over time and among governments.

Demographic and Economic Statistics
Last Ten Fiscal Years

Exhibit S-4A

Fiscal Year	Population (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1)	Employment (4)	Unemployment Rate (4)	Claims Accepted (5)	Claims Rejected (5)
2004	567,754	29,082,500	50,997	34.9	671,375	7.3%	18,554	6,450
2005	567,136	31,484,750	55,130	34.9	680,267	6.9%	17,223	6,074
2006	570,681	34,066,250	59,534	34.7	686,225	5.8%	17,021	6,212
2007	574,404	36,817,750	63,503	34.6	691,708	5.5%	17,111	5,918
2008	580,236	40,359,750	68,796	34.3	702,725	6.0%	20,425	7,123
2009	592,228	40,403,096	68,222	34.0	701,633	9.0%	34,668	13,697
2010	605,125	41,499,722	68,596	33.8	709,075	10.2%	34,481	10,761
2011	619,624	45,272,125	73,135	33.7	723,233	10.2%	40,113	11,578
2012	633,427	46,873,665	74,129	33.6	730,033	9.3%	42,276	14,686
2013	646,449	48,118,236	N/A	N/A	733,317	8.6%	27,665	13,237

N/A: Not Available

(1) Source: U.S. Census Bureau. (As of July 1 - updated each December (Population) or each May (Median Age) for all the years after the 2010 census.)

(2) Source: D.C. Department of Employment Services, Office of Labor Market Research and Information based on data from U.S. Bureau of Economic Analysis (BEA).

BEA uses slightly different population estimates in its calculation of per capita income. Updates are made each year to prior year numbers, which will not match prior year CAFR figures.

(3) In thousands

(4) Source: D.C. Department of Employment Services, Office of Labor Market Research and Information based on data from U.S. Bureau of Labor Statistics.

(5) Source: D.C. Department of Employment Services, Office of Unemployment Compensation

For some measures in Exhibit S-4A, updates are made each year to prior year numbers. Therefore, prior year numbers may not match the numbers in CAFR tables from previous years.

Principal Employers
Current Year and Ten Years Ago

Exhibit S-4B

Employer	2013			2003		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Georgetown University	*	1	*	*	2	*
George Washington University	*	2	*	*	1	*
Washington Hospital Center	*	3	*	*	3	*
Children's National Medical Center	*	4	*	*	6	*
American University	*	5	*	*	9	*
Howard University	*	6	*	*	4	*
Georgetown University Hospital	*	7	*	*	7	*
Booz Allen & Hamilton Inc.	*	8	*	*	211	*
Fannie Mae	*	9	*	*	5	*
Catholic University of America	*	10	*	*	15	*
Providence Hospital	*	11	*	*	8	*
Allied Barton Security Services LLC	*	12	*	*	52	*
Howard University Hospital	*	13	*	*	11	*
Red Coats	*	14	*	*	141	*
George Washington University Hospital	*	15	*	*	16	*
Total	57,380		7.9%	42,987		6.6%

* This data is produced through the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, we are only presenting rank and total employment information for the top fifteen principal employers.

Source: Department of Employment Services, Labor Market Research and Information Office

5. Operating Information

These schedules contain service and infrastructure data to better understand how the information in the District's financial reports relates to the services the District provides and the activities it performs.

Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit S-5A

Function/Program	Operating Indicators									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GOVERNMENTAL DIRECTION AND SUPPORT										
<i>General Obligation Bonds</i>										
Bond rating by S&P	A	A+	A+	A+	A+	A+	A+	A+	A+	AA-
Bond rating by Moody's	A2	A2	A2	A1	A1	A1	A2	A2	Aa2	Aa2
Bond rating by Fitch	A-	A	A	A+	A+	A+	AA-	AA-	AA-	AA-
<i>Income Tax Secured Revenue Bond *</i>										
Bond rating by S&P	-	-	-	-	-	-	AAA	AAA	AAA	AAA
Bond rating by Moody's	-	-	-	-	-	-	Aa1	Aa1	Aa1	Aa1
Bond rating by Fitch	-	-	-	-	-	-	AA+	AA+	AA+	AA+
*First issued in FY 2009										
ECONOMIC DEVELOPMENT AND REGULATION										
Taxable retail sales (\$ millions)	\$ 8,343	\$ 10,487	\$ 10,051	\$ 9,971	\$ 11,048	\$ 10,198	\$ 11,191	\$ 11,697	\$ 12,610	\$ 13,083
Commercial construction units	115	125	121	173	156	107	138	124	117	96
Value	\$ 1,720,869	\$ 1,466,587	\$ 1,366,931	\$ 1,300,454	\$ 1,938,197	\$ 2,321,216	\$ 1,518,394	\$ 941,963	\$ 649,872	\$ 954,718
Residential construction units	506	861	815	664	1,237	1,003	850	899	855	1,199
Value	\$ 117,803	\$ 192,609	\$ 186,685	\$ 182,298	\$ 276,722	\$ 269,812	\$ 214,187	\$ 235,996	\$ 261,314	\$ 382,192
Housing Finance Agency										
Number of Single-Family Units Financed	0	0	67	273	218	109	15	53	16	2
Amount of Single-Family Financing Provided (\$ 000s)	\$ 0	\$ 0	\$ 16,820	\$ 59,070	\$ 43,795	\$ 24,750	\$ 2,704	\$ 9,897	\$ 3,604	\$ 619
Number of Multi-Family Units Financed	525	7,623	1,165	1,198	917	297	1,307	729	1,608	939
Amount of Multi-Family Financing Provided (\$ 000s)	\$ 36,051	\$ 133,510	\$ 71,543	\$ 118,978	\$ 91,014	\$ 28,255	\$ 137,000	\$ 78,512	\$ 183,002	\$ 139,347
Total Number of Housing Units Financed	525	7,623	1,232	1,471	1,135	406	1,322	782	1,624	941
Total Amount of Housing Financing Provided (\$ 000s)	\$ 36,051	\$ 133,510	\$ 88,363	\$ 178,048	\$ 134,809	\$ 53,005	\$ 139,704	\$ 88,409	\$ 186,606	\$ 139,966
PUBLIC SAFETY AND JUSTICE										
Police										
Crime Index Offenses	36,246	32,678	32,311	33,043	35,351	34,977	30,872	31,772	36,154	35,752
Number of Police Officers	3,800	3,800	3,800	3,907	4,050	4,047	3,960	3,801	3,907	4,010
Fire & EMS										
Number of Operational Personnel	1,768	1,831	1,800	1,818	1,958	1,958	1,946	1,941	1,874	1,998
Total Number of Incidents	140,585	145,812	149,395	153,788	158,919	165,725	162,440	161,795	167,939	167,335
Total Number of Fire/Rescue Incidents	30,029	30,989	32,015	32,363	32,396	30,728	31,562	31,527	30,296	29,823
Number of Medical Incidents	110,556	114,823	117,380	121,415	126,523	134,997	130,878	130,268	137,643	137,512
Total number of Transports	77,289	73,314	75,186	76,841	81,981	86,824	94,039	97,689	101,208	102,987
Inspections	26,703	29,072	28,636	19,282	13,175	22,716	24,862	14,231	11,470	12,482
PUBLIC LIBRARY										
Number of Volumes	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099	2,525,848	2,242,514	1,601,581	1,466,010	1,491,914

Operating Indicators by Function/Program
Last Ten Fiscal YearsExhibit S-5A
(Continued)

Function/Program	Operating Indicators									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>PUBLIC EDUCATION SYSTEM</u>										
<u>D.C. Public School System</u>										
Number of School Teachers	5,206	4,938	4,614	4,509	4,328	3,722	3,758	3,850	3,775	3,392
Number of School Students	62,306	62,306	56,943	52,945	46,208	46,132	45,772	48,737	45,191	45,557
Number of High School Graduates	2,740	2,680	2,450	2,489	2,555	2,679	2,790	2,954	2,919	2,864
<u>University of the District of Columbia</u>										
Number of Teachers	208	219	215	242	247	241	231	222	260	250
Number of Students	5,424	5,364	5,772	5,612	5,595	5,260	5,855	5,286	5,490	5,352
Number of Graduates	508	503	573	475	218	711	602	641	705	832
<u>PUBLIC WORKS/PUBLIC TRANSPORTATION</u>										
Street Resurfaced (includes reconstruction); regular cover;										
pavement restoration (miles)	36.5	90.0	65.2	52.3	32.1	18.0	13.0	14.0	17.0	19.3
Potholes Repaired	9,177	5,272	3,649	6,262	2,800	2,400	5,580	6,863	26,233	24,718
Refuse collected (tons per day)	506	485	425	406	404	378	390	393	382	361
Recyclables collected (tons per day)	84	85	86	95	98	105	110	107	133	145
Tons of Bulk Trash Removed	5,362	4,956	4,610	4,831	4,025	4,136	3,611	3,536	2,944	2,594
Tons of Leaves Removed	6,651	9,569	9,588	7,834	10,072	8,289	8,050	6,914	5,659	5,920
Tons of Snow Removed	2,472,659	880,000	855,712	661,050	674,225	808,732	5,298,905	850,000	105,487	218,005
<u>Department of Motor Vehicles</u>										
Number of motor vehicle registrations (1/1 - 12/31)	243,874	250,602	260,662	271,243	269,549	259,367	276,585	278,915	284,674	289,028
Number of operator licenses issued (1/1 - 12/31)	96,760	80,765	90,456	117,902	112,072	110,846	109,630	111,354	120,372	119,303
Number of operator licenses outstanding (1/1 - 12/31)	237,526	314,650	357,569	396,193	342,816	340,316	348,036	357,228	370,805	411,356
<u>D.C. WATER AND SEWER AUTHORITY</u>										
Number of Customer locations	122,802	123,062	123,465	124,109	124,582	125,130	124,993	125,653	125,752	126,497
Average daily water consumption (MGD)	87	86	87	87	84	80	80	80	77	72
Daily maximum sewer capacity (MGD)	370	370	370	370	370	370	370	370	370	370
Peak 4 Hour Flow, through complete process (MGD)	740	740	740	740	740	740	740	740	740	740
Excess Storm Flow, primary treatment only (MGD)	336	336	336	336	336	336	336	336	336	336
Peak Flow (MGD)	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076
<u>CONVENTION CENTER</u>										
Conferences held	201	189	106	151	183	204	214	231	201	209
Attendees	1,023,072	1,153,250	935,485	1,028,953	1,091,406	1,053,266	1,015,324	1,017,638	1,159,480	1,089,116

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Exhibit S-5B

Function/Program	Fiscal Years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Police</u>										
Police Stations Including Satellites	16	16	16	16	17	11	11	11	11	11
Number of Patrol Cars	1,207	1,199	1,234	1,222	1,242	1,200	1,183	1,195	1,196	1,197
<u>Fire</u>										
Number of Fire and EMS stations	34	34	33	34	34	34	34	34	34	34
Number of Front-line Emergency Vehicles	92	92	107	130	111	126	126	123	123	123
<u>EMS</u>										
Number of Ambulances	62	62	91	78	79	77	78	89	73	110
<u>D.C. Public School System</u>										
Schools	147	165	144	144	144	131	122	123	122	122
Number of School Buses	650	669	712	727	727	790	753	802	838	880
<u>Public Library</u>										
Number of Main and Branch Buildings	22	22	22	22	22	24	25	25	26	26
Number of Community and Kiosk Facilities	5	5	5	5	5	0	0	0	0	0
<u>Parks and Recreation</u>										
Acreage	800	800	832	836	836	836	836	883	883	931
Number of Recreation & Community Centers	75	72	70	73	75	75	79	78	78	74
Number of Day Camps	70	51	86	86	71	68	76	91	88	96
Number of Outdoor Swimming Pools	27	26	24	26	24	24	23	23	24	22
Number of Indoor Swimming Pools	6	8	6	8	7	7	10	8	8	8
<u>Public Works/Public Transportation</u>										
Number of Refuse Collection Trucks	52	71	71	77	77	84	71	70	64	64
Primary Street Miles	126	126	126	126	126	126	126	126	126	135
Secondary Street Miles	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007
Number of Street Lights	66,562	66,650	66,630	68,000	68,000	68,000	68,000	68,000	69,350	70,182
Number of Signalized Intersections	1,534	1,538	1,563	1,570	1,575	1,600	1,700	1,603	1,603	1,645
Number of Trees	114,000	118,000	120,934	128,540	144,000	145,312	146,920	144,000	148,980	147,276
<u>D.C. Water & Sewer Authority</u>										
Miles of Water Mains	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Miles of Sewer Mains	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds
Last Ten Fiscal Years
(Year ended Sept 30)

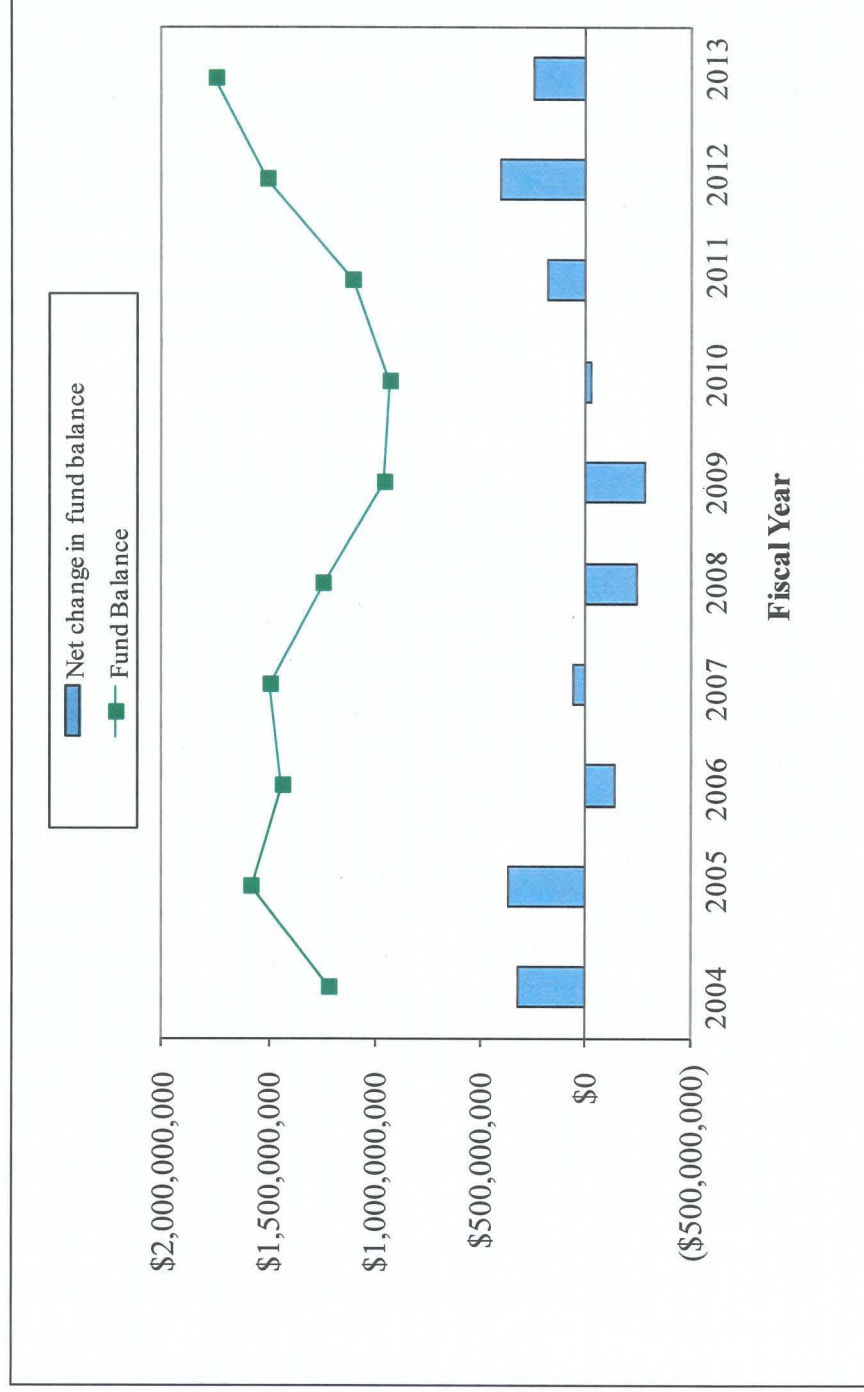
Exhibit S-5C

Function	Full-time Equivalent District Government Employees									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental direction and support	2,358	2,419	2,475	2,613	2,725	2,726	2,440	2,648	2,994	3,014
Economic development and regulation	1,000	986	1,104	1,157	1,220	1,230	1,128	1,040	1,041	1,181
Public safety and justice	7,547	7,963	7,919	8,234	8,720	8,728	8,586	8,505	8,313	8,230
Public education system	10,770	9,211	9,714	9,367	8,618	8,323	7,651	9,253	9,028	8,959
Human support services	4,211	4,555	4,611	4,571	4,816	4,559	3,946	3,782	3,687	3,822
Public works	1,624	1,752	1,789	1,889	2,073	2,197	2,106	2,007	2,146	2,196
Total	27,510	26,886	27,612	27,831	28,172	27,763	25,857	27,235	27,209	27,402

Source: Office of Budget and Planning

Exhibit S-5D

General Fund Fund Balance Trend Chart





GOVERNMENT OF THE DISTRICT OF COLUMBIA

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OCFO Office of the Chief Information Officer

YEAR ENDED SEPTEMBER 30, 2013