



2013 CITIZEN'S 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



February 18, 2014

Dear Citizens of the District of Columbia:

We are pleased to present to you the Citizen's Financial Report on the financial condition of the Government of the District of Columbia (District). The purpose of this report, which is referred to as the Popular Annual Financial Report (PAFR), is to summarize the financial information presented in the District of Columbia's Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and is independently audited. This PAFR is intended to simplify but not replace the CAFR.

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

We welcome any feedback regarding the contents of this report. If you desire more information concerning the District of Columbia Government and its various departments and agencies, please visit our website at www.dc.gov.

Respectfully submitted,



Vincent C. Gray
Mayor



Natwar M. Gandhi
Chief Financial Officer
June 2000 – Jan. 2014



Jeff DeWitt
Chief Financial Officer
Present



Bert Molina
Deputy CFO
Financial Operations &
Systems





Government Finance Officers Association

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

Presented to

District of Columbia

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the District of Columbia for its Popular Annual Financial Report, for the fiscal year ended September 30, 2012. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The District of Columbia has received a Popular Award for the last 10 consecutive fiscal years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and it will be submitted to GFOA for consideration.

District of Columbia Citizen's Financial Report



Fiscal Year Ended September 30, 2013

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Cherry Blossoms at the Tidal Basin

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

A copy of the District's Fiscal Year (FY) 2013 CAFR and PAFR may be obtained from:

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

The FY 2013 CAFR and PAFR may also be viewed on the District of Columbia's Chief Financial Officer's website at:
www.cfo.dc.gov.

Introduction

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

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

The fiscal year (FY) of the District begins on October 1 and ends on September 30. This report presents summary financial information for the District’s fiscal year ended September 30, 2013. The financial reporting entity of the District includes all of the government’s agencies and its five discretely presented component units. However, this popular report does not include financial information for the District’s component units. For information on the District’s component units, please contact the offices shown below:

Health Benefit Exchange Authority

Executive Director
1100 15th Street, N.W., 8th Floor
Washington, D. C. 20005
202-715-7576

Housing Finance Agency

Executive Director
815 Florida Avenue, N.W.
Washington, D. C. 20001
202-777-1600

Not-For-Profit Hospital Corporation

Chief Executive Officer
1310 Southern Avenue, S.E.
Washington, D.C. 20032
202-574-6000

University of the District of Columbia

President
4200 Connecticut Avenue, N.W.
Washington, D. C. 20008
202-274-5000

Washington Convention and Sports Authority

General Manager
801 Mount Vernon Place, N.W.
Washington, D. C. 20001
202-249-3000

Elected Officials at September 30, 2013

Vincent C. Gray
Mayor



The D.C. Council is composed of a Chairman, 4 At-Large members, and a member from each of the District's 8 Wards.

Phil Mendelson
Chairman



David Catania
At Large



Anita Bonds
At Large



Vincent Orange
At Large



David Grosso
At Large



Jim Graham
Ward 1



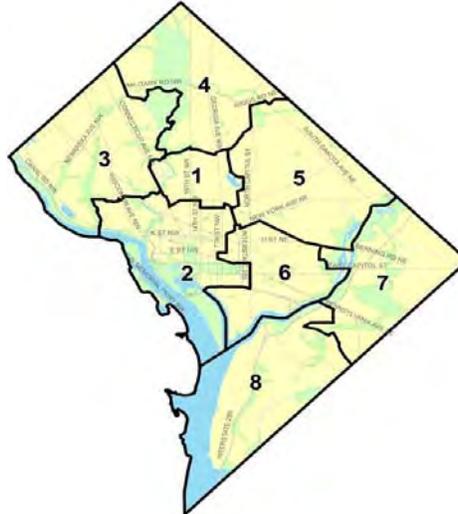
Muriel Bowser
Ward 4



Kenyan McDuffie
Ward 5



Jack Evans
Ward 2



Tommy Wells
Ward 6



Mary M. Cheh
Ward 3



Yvette M. Alexander
Ward 7



Marion Barry, Jr.
Ward 8



U.S. House of Representatives

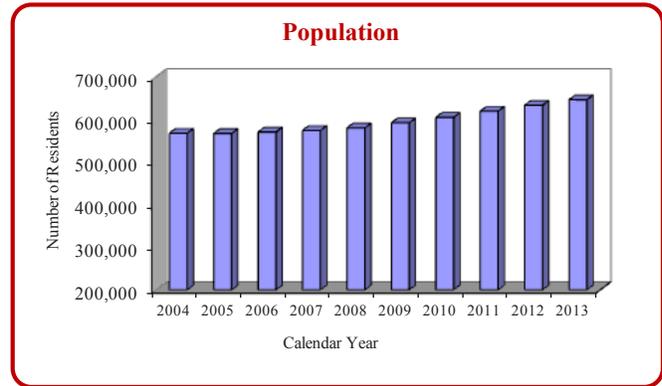
Eleanor Holmes Norton
Congresswoman/
D.C. Delegate



Population Trends

Population estimates are published each year by the U.S. Census Bureau. In July of each year, new estimates are released and estimates for earlier years are revised. On July 1, 2013, the U.S. Census Bureau estimated that there were 646,449 residents in the District. This represents an increase of 13,022, or 2.1% from the revised July 1, 2012 estimate of 633,427.

The Census Bureau's estimates are determined from births, deaths, changes in tax return filings and estimates of the number of immigrants who move into the District each year. These estimates are used in federal funding allocations and in monitoring recent demographic changes.

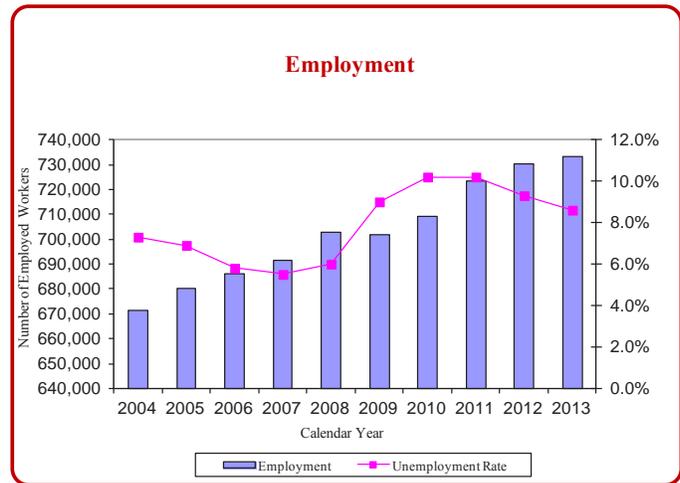


Employment Trends

Total employment within the District increased to 733,300 as of September 2013 from 730,000 as of September 2012.

The unemployment rate in the District decreased to 8.6% in FY 2013, compared to 8.8% in FY 2012.

As the nation's capital, Washington, D.C. is headquarters for most federal government departments and agencies. The September 2013 federal workforce in the Washington metropolitan area totaled 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

District law requires that the minimum wage rate for District employees be at least \$1.00 per hour more than the federal minimum wage, which is currently \$7.25 per hour (effective July 24, 2009). Consequently, the current minimum wage in the District is \$8.25 per hour.

On January 15 2014, the Mayor and Council Chairman signed the *Minimum Wage Amendment Act of 2013* into law, which increases the minimum wage to \$9.50 per hour starting in July 2014.

Per Capita Personal Income



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. Total 2013 data is not available yet.

Principal Employers

2013 Top 10 Non-Government Employers in the District

Rank	Name
1	Georgetown University
2	George Washington University
3	Washington Hospital Center
4	Children's National Medical Center
5	American University
6	Howard University
7	Georgetown University Hospital
8	Booz Allen & Hamilton Inc.
9	Fannie Mae
10	Catholic University of America

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 also help 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. (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. Travel and tourism supported more than 75,300 jobs in the District, generating approximately \$3.16 billion in wages.



The International Spy Museum, located at 800 F Street NW, is a privately owned museum dedicated to the tradecraft, history and contemporary role of espionage.

FY 2013 Financial Highlights

- The District again earned an unqualified or “clean” audit opinion on its financial statements.
- 17th consecutive balanced budget.
- The General Fund, which accounts for taxes, fees and charges for services, ended the year with a budgetary surplus of \$321 million.
- The General Fund showed an accumulated fund balance of \$1.75 billion, an increase of \$242 million over last year.
- The District’s general obligation bond ratings were as follows: *Standard & Poor’s Rating Service*, AA-; *Moody’s Investors Service*, Aa2 and *Fitch Ratings*, AA-.
- The District has set aside \$339 million in an emergency/contingency cash reserve and \$452 million in a fiscal stabilization/cash flow reserve for a total of \$791 million.

FY 2013 Economic Highlights

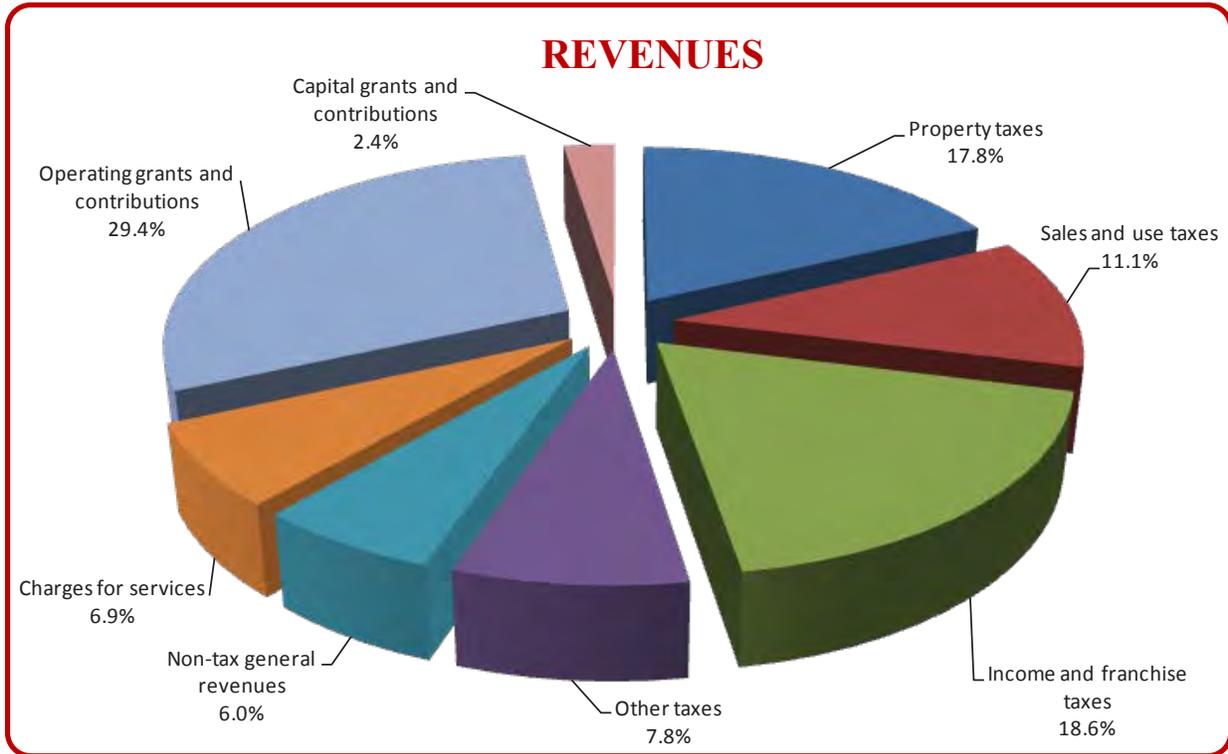
- Sales and use taxes collected were \$1.25 billion, a 2.4% increase over the \$1.22 billion in FY 2012.
- Property taxes collected were \$2.01 billion, a 3.5% increase over the \$1.94 billion in FY 2012.
- Single family home sales for the three-month period ending July 2013 were up 13.0% from a year ago, and there was a 14.5% increase in the average selling price.
- For the three-month period ending July 2013, Condominium sales were up 23.9% and the average price was 3.1% higher than the previous year.
- District resident employment in the three months ending July 2013 was 9,970, or 3.0% more than 2012.
- The July 2013 unemployment rate was 8.6%, which was down from the 8.8% rate in July 2012.

FY 2013 General Fund Budgetary Surplus

(\$ in millions)

	Revised Budget	Actual	Variance
Revenues			
Taxes	\$ 5,954	\$ 5,921	\$ (33)
Non Taxes	849	940	91
Fund Balance Use	132	18	(114)
All other general fund sources	109	114	5
Total revenues	\$ 7,044	\$ 6,993	\$ (51)
Expenditures			
FY2013 Expenditures	\$ 6,646	\$ 6,493	\$ 153
FY2013 Advance to Public Education	179	179	-
Total expenditures	\$ 6,825	\$ 6,672	\$ 153
SURPLUS		\$ 321	

Where The Money Comes From



The majority of the District's revenues come from *taxes* which represented 55.3% of total revenues in FY 2013.

\$ in 000's

Revenues received from the federal government and private sources include:

- *Operating grants and contributions*: Amounts received from grantors/donors which may be used to support the District's day-to-day operations, programs and activities.
- *Capital grants and contributions*: Amounts received from grantors/donors to support the purchase of property and equipment, the construction of buildings or other infrastructure assets.

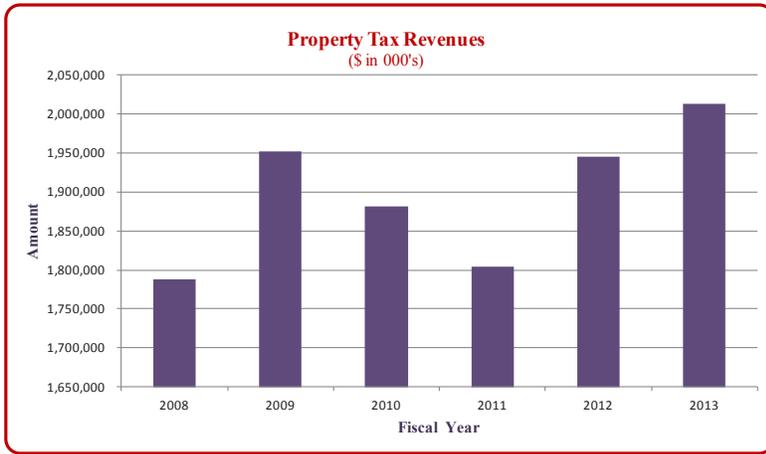
Charges for services are fees assessed in exchange for a service that is rendered (e.g. driver license fees, motor vehicle tag renewal fees, parking fees, etc.)

Non-tax general revenues are other sources of revenue which are generated by the government's operations (e.g. licenses and permits, fines, investment earnings, etc.)

Tax Revenue Earned in FY 2013	
Property Taxes	\$2,012,788
Sales & Use Taxes	\$1,247,374
Income & Franchise Taxes	\$2,094,179
Other Taxes	\$877,185
Total Taxes	\$6,231,526

Non-Tax Revenue Earned in FY 2013	
Operating grants & contributions	\$3,309,908
Capital grants & contributions	\$270,813
Charges for services	\$773,675
Non-tax general revenues	\$690,052
Total Non-Tax Revenues	\$5,044,448

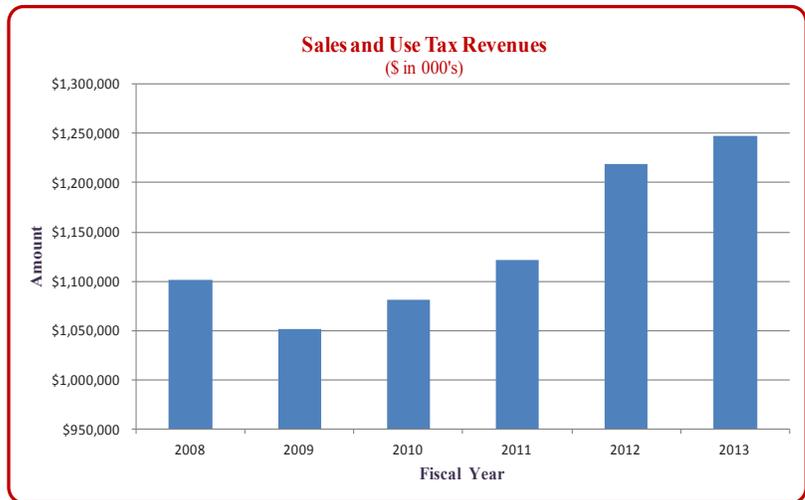
TOTAL FY 2013 REVENUES	\$11,275,974
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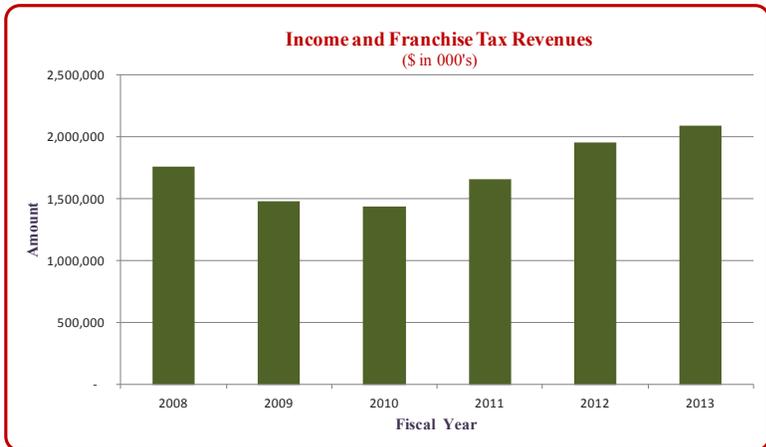
District Neighborhood



Washington Nationals Baseball Stadium

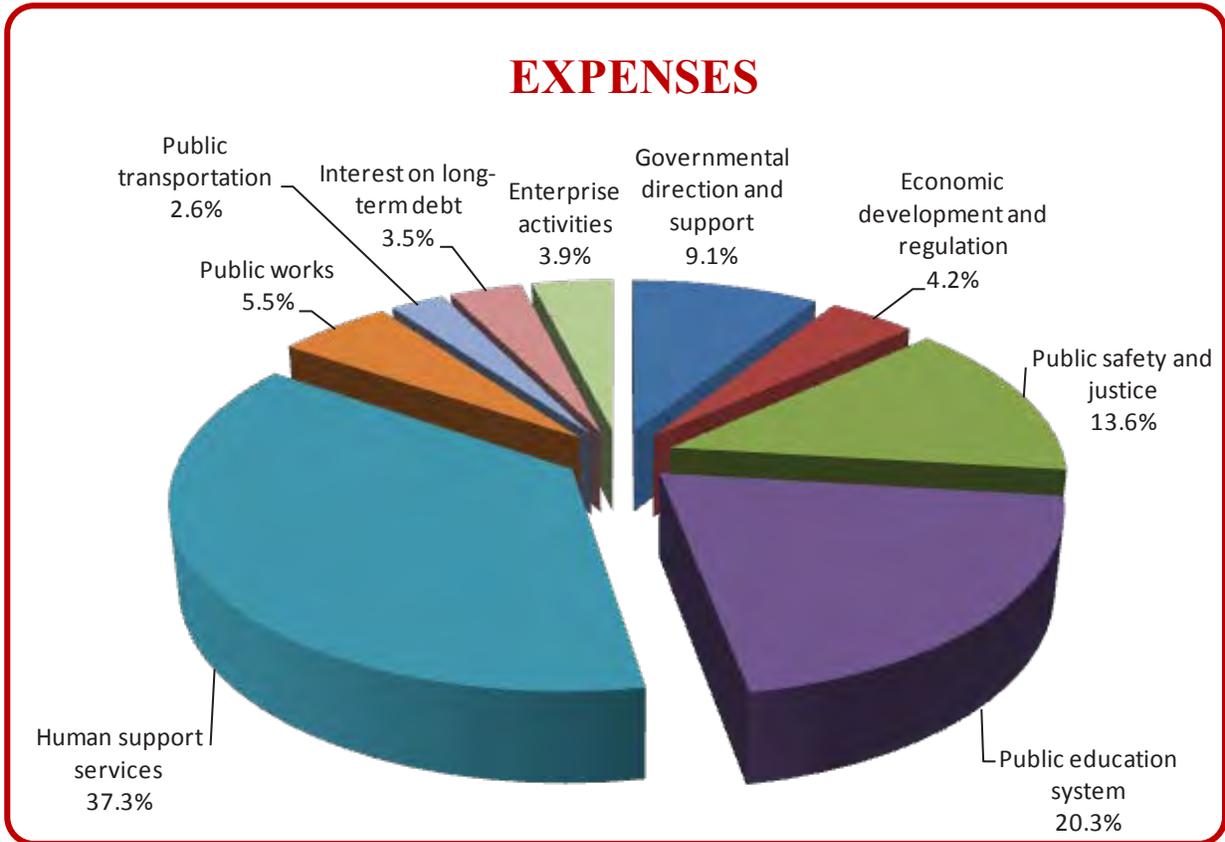


Effective October 1, 2013, the general sales tax rate in the District decreased from 6.00% to 5.75%.



The John A. Wilson Building
"City Hall"

Where The Money Goes



The District provides a broad range of services to its residents, including those normally provided by states and counties. These services include police and fire protection, water and sewer services, health care services, and recreational activities. The District is also responsible for the construction and maintenance of highways, streets, buildings, parks, and other amenities. In FY 2013, the District's total expenses were \$11.0 billion.

Human Support Services represents the highest percentage at 37.3%. The majority of this expenditure was for the District's Medicaid and Medicare programs.

Expenses	\$ in 000's	FY 2013
Governmental direction and support		993,774
Economic development and regulation		460,082
Public safety and justice		1,497,016
Public education system		2,224,946
Human support services		4,086,722
Public works		603,423
Public transportation		284,851
Interest on long-term debt		382,530
Enterprise activities		429,572
Total Expenses		\$ 10,962,916

Debt Management

Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. On October 23, 2012, the District issued \$675 million in Tax Revenue Anticipation Notes (TRANs), at an interest rate of 2.00%, which was repaid in September 2013.

Long-Term Debt

In the government-wide financial statements and the financial statements of the proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the respective statements of net position.

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

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

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

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

At September 30, 2013, the District had a total of \$8.3 billion in outstanding bonds. This represents an increase of \$627.1 million over the prior year. The District's level of borrowing has grown over the past few years as the need and demand for infrastructure improvements, such as roads, streets and bridges continue to increase.

Outstanding Bonds at September 30, 2013 and 2012 (\$ in 000's)

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%
AWC 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%

Bond Rating Agencies

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

Below are the District's *general obligation bond ratings* for the past five fiscal years. Fitch and Moody's Investors remained strong in FY2013, while Standard & Poor's was upgraded to AA-.

General Obligation Bonds					
Rating Agencies	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-

Below are the District's *income tax secured revenue bond ratings* for the past five fiscal years, which remained strong in FY 2013.

Income Tax Secured Revenue Bonds					
Rating Agencies	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

Government-Wide Financial Statements

The government-wide financial statements combine short-term and long-term financial information to provide a complete picture of the District's finances. On the other hand, the traditional (fund-based) reporting of governmental activities focuses on short-term receipts, disbursements and balances of spendable resources.

This "government-wide" approach accounts for all revenues and expenses incurred in the fiscal year, regardless of when cash is received or spent. The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities.

The government-wide financial statements focus on all of the District's *economic* resources, while

the governmental funds focus on *current financial* resources.

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

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

Financial Analysis of the Government as a Whole

The Net Position table below shows comparative data for net position from governmental activities and business-type activities, and the totals for these two types of activities.

Net Position as of September 30, 2013
(\$ in 000's)

	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	<u>15,711,330</u>	<u>14,470,404</u>	<u>323,600</u>	<u>324,852</u>	<u>16,034,930</u>	<u>14,795,256</u>
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	<u>12,279,925</u>	<u>11,363,106</u>	<u>77,310</u>	<u>90,835</u>	<u>12,357,235</u>	<u>11,453,941</u>
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	\$ <u>3,481,680</u>	\$ <u>3,180,895</u>	\$ <u>246,290</u>	\$ <u>234,017</u>	\$ <u>3,727,970</u>	\$ <u>3,414,912</u>

- Total assets increased by \$1.24 billion mainly because the District invested more resources in capital assets such as new and rehabilitated infrastructure (roads and bridges).
- The increase of \$903.3 million in total liabilities was due to the issuance of debt to finance the construction of infrastructure and capital improvements.
- The combined total net position for the governmental activities and business-type activities increased by 9.2% over the previous year.

Change in Net Position for the Year Ended September 30, 2013
(\$ in 000's)

	Governmental		Business-type activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program revenues:						
Charges for services	\$ 531,215	\$ 537,403	\$ 242,460	\$ 249,675	\$ 773,675	\$ 787,078
Operating grants and contributions	3,277,118	3,190,038	32,790	27,945	3,309,908	3,217,983
Capital grants and contributions	270,813	261,411	-	-	270,813	261,411
General revenues	6,686,669	6,379,873	234,909	320,691	6,921,578	6,700,564
Total revenues	<u>10,765,815</u>	<u>10,368,725</u>	<u>510,159</u>	<u>598,311</u>	<u>11,275,974</u>	<u>10,967,036</u>
Expenses	<u>10,533,344</u>	<u>10,077,144</u>	<u>429,572</u>	<u>528,098</u>	<u>10,962,916</u>	<u>10,605,242</u>
Change in net position before transfers	232,471	291,581	80,587	70,213	313,058	361,794
Transfer 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
Net position, Oct 1, as restated	3,180,895	2,822,910	234,017	230,208	3,414,912	3,053,118
Net position, Sept 30	\$ <u>3,481,680</u>	\$ <u>3,180,895</u>	\$ <u>246,290</u>	\$ <u>234,017</u>	\$ <u>3,727,970</u>	\$ <u>3,414,912</u>

- The increase of \$91.9 million in operating grants and contributions was due primarily to an increase in federal grants.
- General revenues increased by \$221.0 million mainly because of increases in property taxes, income and franchise taxes, and sales and use taxes.
- The increase of \$357.7 million in expenses was due mainly to increased spending in economic development and regulation, public education, and human support services.
- Each year, the D.C. Lottery transfers substantially all of its net income to the District. In FY 2013, it transferred \$68.3 million of its income, which was a \$1.9 million increase from last year's transfer of \$66.4 million.

Governmental Funds

The focus of governmental funds is on major funds and not on fund types. Major funds are presented individually. Nonmajor governmental funds are combined in separate columns. The sources (revenues) and uses (expenditures) of resources, assigned through the financial planning and budgeting process, focus on the District's ability to finance operations in the short-term.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the District uses to keep track of specific sources of funding and spending for a particular purpose. District laws, bond covenants, and other legal stipulations establish funds for specific purposes, and stipulate specific reporting requirements for the activities and public services accounted for in these funds. The District's funds are presented in three categories or groups:

- *Governmental Funds* report short-term activities and measure cash and other financial assets that can be readily converted to cash. Most basic services are accounted for in this fund category and are reported as

General, Federal and Private Resources, Housing Production Trust Fund, General Capital Improvements, and Nonmajor Governmental Funds.

- *Proprietary Funds* are used to account for the District's business-type activities. These funds generate a significant portion of their revenues through user charges. The District recognizes two major proprietary funds: Lottery and Charitable Games; and Unemployment Compensation.
- *Fiduciary Funds* are used to account for assets held by a government as trustee for individuals, private organizations, or other governments. These funds are presented separately from the District's other funds because these resources are not available to finance the operations of the government. The District is the trustee, or fiduciary, for its employees' pension plans, other postemployment benefits plan, and the 529 College Savings Plan.

Assets and Liabilities

- Total assets of the governmental funds increased by \$819.8 million. This increase was attributable to an increase in Cash and Cash Equivalents (Unrestricted), of approximately \$298 million, and Cash and Cash Equivalents (Restricted), of approximately \$770.3 million. These increases in Cash and Cash Equivalents were partially offset by sharp declines in Investments (Restricted), Taxes Receivable, and Accounts Receivable.
- Total liabilities of the governmental funds increased by \$302.4 million, which was comprised primarily of an increase of \$137.6 million in Accounts Payable, a \$57 million increase in Unearned Revenue, and a \$53.5 million increase in Due to Other Funds.

**Governmental Funds
Balance Sheet
September 30, 2013
(\$ in 000's)**

	2013	2012
Total assets	\$ 5,067,305	\$ 4,247,489
Total liabilities	2,459,592	2,157,179
Deferred inflow of resources	141,121	158,416
Fund balance:		
Nonspendable	16,015	20,357
Restricted	1,693,735	1,397,919
Committed	659,567	595,008
Assigned	97,275	34,879
Unassigned	-	(116,269)
Total fund balance	2,466,592	1,931,894
Total liabilities, deferred inflow of resources, and fund balance	\$ 5,067,305	\$ 4,247,489

Operating Results

- Revenues in the governmental funds increased by \$367.2 million. This was due mainly to increases in tax revenue totaling \$295.2 million.
- Expenditures of the governmental funds increased by \$526.3 million, with the most significant increases being in the following functional areas: Human Support Services, Public Education, Economic Development and Regulation, and Public Transportation.

Overall, total revenues and other financial sources for FY 2013 exceeded total expenditures and other financing uses by \$534.7 million.

**Governmental Funds
Statement of Revenues, Expenditures &
Changes in Fund Balance
For the Year Ended September 30, 2013
(\$ in 000's)**

	2013	2012
Total revenues	\$ 10,725,546	\$ 10,358,328
Total expenditures	11,288,134	10,761,801
Deficiency of revenues under expenditures	(562,588)	(403,473)
Total other financing sources	1,097,286	608,733
Net change in fund balances	534,698	205,260
Fund balances at October 1	1,931,894	1,726,634
Fund balances at September 30	\$ 2,466,592	\$ 1,931,894

Fund Balance

Fund balance is the excess dollars of what the District owns (assets plus deferred outflow of resources) over what the District owes (liabilities plus deferred inflow of resources) in a governmental fund. Maintaining a healthy fund balance is a critical factor in financial planning and budgeting:

- It provides funds for unforeseen expenses or emergencies;
- It reduces the need for short-term borrowing for operations by ensuring sufficient cash flows; and
- It demonstrates financial stability, which enhances bond rating, thereby lowering debt issuance costs.

Over the past seventeen years, the District's fund balance in the general fund increased from a negative balance of \$518 million in FY 1996 to a positive balance of \$1.75 billion in FY 2013, an increase of approximately \$2.3 billion.

Having a healthy fund balance enabled the District to weather the federal government shutdown, which spanned from October 1, 2013 until October 16, 2013. Although, the federal government was closed, the Mayor deemed all District employees essential and the District government remained operational using reserve funds already approved by Congress.

**FUND BALANCE - GENERAL FUND
at September 30, 2013
(\$ in 000's)**

Fund balance of the general fund (the main operating fund) is divided into five categories:

Nonspendable.....\$16,015
Amounts which cannot be spent because they are not in spendable form or by law or contract must be maintained intact.

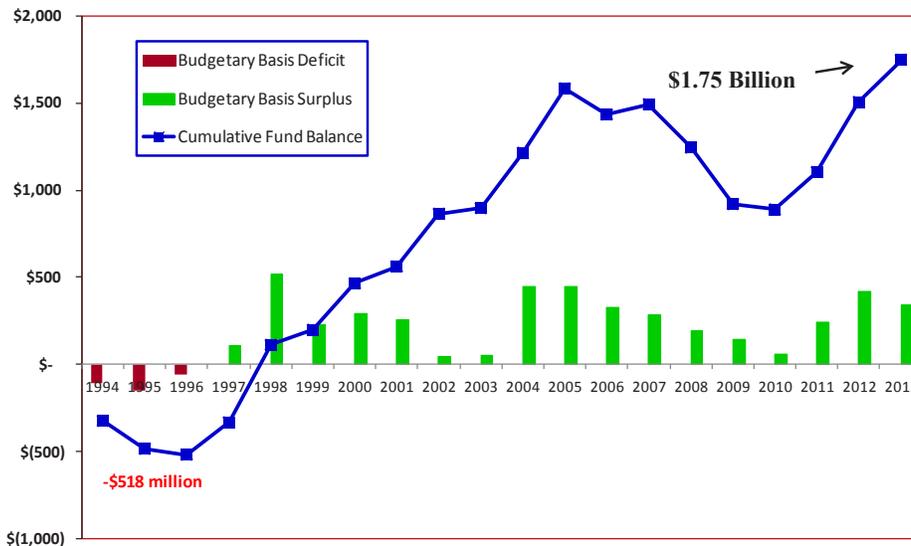
Restricted.....\$976,071
Amounts constrained for a specific purpose by external parties (creditors or higher levels of government), constitutional provisions, or enabling legislation.

Committed.....\$659,567
Amounts constrained to a specific purpose by a government, using its highest level of decision-making authority (Council). Such amounts cannot be used for any other purpose unless the government takes the same action to remove or change the constraints placed on the resources.

Assigned.....\$97,275
Amounts intended to be used for a specific purpose as established by the Mayor, Council, or their authorized designees.

Unassigned.....\$0
Amounts available for general purpose.

TOTAL FUND BALANCE \$1,748,928



New & Ongoing Initiatives

Electronic Payment of Taxi Fares - With the passage of the Taxicab Service Improvement Act of 2012, installation of a new payment system began on June 1, 2013. This system includes a smart taximeter, driver device, receipt printer and passenger console. 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 – Launched in April 2012, DC311 Smartphone App is a free download application which allows citizens to report service requests from their iPhone or Android mobile devices. District residents are now able to report common, non-emergency, quality-of-life issues – such as potholes, graffiti, downed trees and streetlight outages – to 311 with just a few clicks from their mobile device. Together with the Citywide Call Center and 311 Online, this new tool provides yet another way the community can report non-emergency problems that need to be rectified.

Download the DC311 App from the *iTunes Store* or the *Android Market*.



Parkmobile™....Pay-By-Phone Parking - Implemented in FY 2011, the District's pay-by-phone program allows residents, workers and visitors to use their mobile phones to pay for parking at all of the approximately 17,000 on-street metered spaces throughout the District. The program is administered by Parkmobile™ and provides another convenient payment option for drivers in lieu of paying with cash or a credit card. Motorists may register for this service online at www.parkmobile.com or download the mobile application from a smartphone.



Anacostia River Clean Up and Protection Fund/Carryout Bag Fees - The Anacostia River Clean Up and Protection Act of 2009 or “Bag Law” requires that all District businesses selling food or alcohol charge \$.05 for each disposable paper or plastic carryout bag. On January 1, 2010, District businesses began implementing the Bag Law. Almost immediately, businesses began seeing a reduction in plastic bag usage, and environmental clean-up groups witnessed fewer bags polluting D.C. waterways. Businesses keep 1 cent (or 2 cents if a rebate is offered when customers bring their own bag), and the remaining 3 or 4 cents goes to the Anacostia River Protection Fund. The proceeds from this fund are used to clean and protect the Anacostia River and other local waterways.



Bag Law Fees Collected

FY 2013	\$2 million
FY 2012	\$2 million
FY 2011	\$1.8 million
FY 2010	\$1.5 million

New & Upcoming Developments

The Yards – 355 Water Street SE; between Nationals Park & the Navy Yard

The Yards is a 42-acre development on the Anacostia River waterfront. It is the key piece to the city's 30-year effort to reclaim and rebuild the Anacostia Waterfront. When it is complete, the Yards will include 5.5 million square feet of retail, housing, office and recreational facilities. The centerpiece of the development is the *Yards Park*, a waterfront recreation area, boardwalk, and outdoor performance space.

In Fall 2013, three buildings were completed and the following establishments opened for business:

Foundry Lofts Building:
170 luxury loft apartments
Potbelly Sandwich Shop
Kruba Thai & Sushi

Boilermaker Shops:
Nando's Peri Peri
Bluejacket/The Arsenal
Buzz Bakery

Lumber Shed:
Agua 301
Osteria Morini



Architect rendition of the completed Yards on the Anacostia River Waterfront

City Market at O – 880 P Street NW; Between 7th & 9th Streets, NW

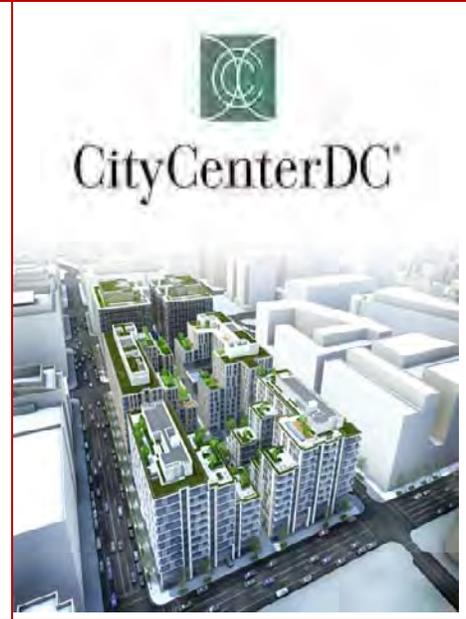
City Market at O is a 1 million-square foot redevelopment project that includes 87,000 square feet of retail, over 600 residential units, a 182-room Cambria Suites hotel, and over 500 parking spaces. The former *O Street Market*, constructed in 1881, was one of several public markets that served District residents during the 19th Century. Over the years, the Market functioned not only as a market but as a place for residents to meet and socialize. The CityMarket at O will recreate this experience when the historic Market is restored and incorporated into a new 78,000-square foot state-of-the-art Giant Food Store. Construction broke ground on September 1, 2010 with the preservation and securing of the historic market structure. The Giant Food Store opened in November 2013. The hotel is scheduled to open in June 2014.

CityMarket At O Street Site Plan



CityCenter DC – On a 10.2-acre site, covering 3 city blocks between New York Avenue, 9th, H and 11th Streets, NW

Construction began in March 2011 at the upcoming CityCenter DC development. The \$700 million, mixed-use development is believed to be the largest downtown development currently underway in any U.S. city. Seven buildings are planned, with six of them currently under construction, and all buildings will be no more than 130 feet in height. The six buildings include two for apartments, two for condominiums and two for offices. There will be 185,000 square feet of retail space on the ground level of the first six buildings, with another 110,000 square feet of retail space in the seventh building (a 400-room luxury hotel). The two office buildings will have a total of 520,000 square feet of space. The two condominium buildings will have a total of 216 units, while the two apartment buildings will have 458 units. The entire development has received a Gold certification for LEED® Neighborhood Development.



Convention Center Headquarters (HQ) Hotel – Marriot Marquis Hotel – 9th Street NW

The Convention Center HQ Hotel project is vital to the long-term success of the Washington Convention Center and the District's robust hospitality industry. It is a necessary asset to ensure the District retains its competitive position as a top-tier destination for the convention and meetings industry. 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 District broke ground on the four-star boutique-style hotel on November 10, 2010 and is scheduled to open in May 2014.

Rhode Island Row – 2300 Washington Place NE

Located adjacent to the Metrorail Red Line, *Rhode Island Row* is a brand new urban community of apartments, restaurants, and shops with a Main Street scene. This thriving new community includes 70,000 square feet of retail space positioned below 274-unit apartment homes offering upscale amenities including a pool with outdoor wet bar and grilles, concierge services, state-of-the-art fitness center, and a green roof patio. The 8.5 acre site, owned by the Washington Metropolitan Area Transit Authority (WMATA), was formerly a commuter parking lot. Its transformation from a parking lot into *Rhode Island Row* was made possible through a public/private partnership with WMATA and Bethesda, Maryland-based Urban Atlantic, which developed the community in a joint venture with A&R Development.

Completed in late 2012, the community is 95% occupied with retailers such as CVS Pharmacy, Sprint Mobile, T-Mobile, Chipotle, Jersey Mike's Sub Shop, Carolina Kitchen and a customer service center for the DC Department of Motor Vehicles.



Miscellaneous Statistics

	Last Two Fiscal Years	
	FY 2012	FY 2013
Number of police officers	3,907	4,010
Number of police patrol cars	1,196	1,197
Police crime index offenses	36,154	35,752
Number of fire fighters & EMS personnel	1,874	1,998
Number of fire & EMS stations	34	34
Total number of fire/rescue/medical incidents	167,939	167,335
Number of DCPS teachers	3,775	3,392
Number of DCPS students	45,191	45,557
Number of DCPS high school graduates	2,919	2,864
Number of UDC instructors	260	250
Number of UDC students	5,490	5,352
Number of UDC graduates	705	832
Miles of street resurfaced; regular cover; pavement restoration	17	19
Potholes repaired	26,233	24,718
Tons of snow removed	105,487	218,005
Convention Center conventions held	201	209
Convention Center attendees	1,159,480	1,089,116

Outlook For FY 2014

The U.S. economy continued to recover slowly during FY 2013, and most forecasts anticipate that it will continue to moderately grow at least as much in FY 2014. D.C. revenues experienced a 3.6% gain in FY 2013, and the outlook for FY 2014 is for a similar increase. Job growth has been slowing, and policies that have been adopted to reduce federal deficits could adversely affect the incomes of District residents and other aspects of the District's tax base.

- The District's population continues to grow, demonstrating its increasing attraction as a place to live.
- Federal government employment has begun to decline slowly, and decisions adopted for reducing the federal deficit cut both federal employment and contract spending, two factors which contribute directly to the strength of the District's economy.
- Increases in private sector employment have been sufficient to overcome the decline in federal employment, but the percentage gains in private sector growth have recently been slower than in the metropolitan region or the nation as a whole. The biggest gains in DC are in professional services and hospitality.
- Despite the uncertainty surrounding federal fiscal policy, federal government expenditures continue to add some stability to the District's economy.
- Investments in economic development are attracting new retail establishments and influencing the development of "nightlife" in the downtown area.

Glossary

Capital Assets	Assets (infrastructure, land, buildings, equipment) used in operations that have initial useful lives extending beyond a fiscal year.
Component Unit	A legally separate organization for which the primary government is financially accountable and is included as part of its financial reporting entity.
Comprehensive Annual Financial Report (CAFR)	An annual report issued by state and local governmental entities. A CAFR has three major sections: introductory, financial and statistical.
Current Financial Resources	Near-term (or current) inflows, outflows, and balances of expendable financial resources (sources of funding).
Debt Service	Cash required in a given period, usually one year, for payment of interest and principal on outstanding debt.
Deferred Inflow of Resources	An acquisition of net position by the government that is applicable to a future reporting period.
Deferred Outflow of Resources	A consumption (use) of net position by the government that is applicable to a future reporting period.
Economic Resources	All inflows, outflows, and balances affecting or reflecting a governmental entity's net position.
Fiscal Year (FY)	A financial reporting period of twelve months. The District's fiscal year commences October 1 and ends September 30.
Fund	A separate fiscal and accounting entity used to segregate and account for resources related to a specific activity.
Fund Balance	The difference between what is owned (assets) and what is owed (liabilities) in a governmental fund.
General Fund	The chief operating fund of the government. This fund is used to account for all financial resources except those required to be accounted for in other funds.
General Obligation Bonds	Municipal bonds that are secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bond holders. Most general obligation pledges at the local government level include a pledge to levy a property tax to meet debt service requirements.
General Revenues	All revenues not reported as program revenues in the government-wide statement of activities.
Generally Accepted Accounting Principles (GAAP)	The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.
Government-Wide Financial Statements	Financial statements that report governmental activities and business-type activities rather than funds or fund types.
Governmental Funds	Funds generally used to account for tax-supported activities.

Glossary

Income Tax Secured Revenue Bonds	Bonds in which the repayment is to be made from amounts derived from the collection income taxes.
Net Investment in Capital Assets	One of three components of net position that must be reported in government-wide and proprietary fund financial statements. It consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets.
Net Position	The residual of all other financial statement elements presented in a statement of financial position.
Popular Annual Financial Report (PAFR)	An annual report issued by state and local governmental entities that extracts information from their published Comprehensive Annual Financial Report (CAFR) designed to be readily accessible and easily understandable to the general public.
Program Revenues	Revenues that derive directly from a government's programs, (fees and charges) or from sources outside the reporting governments tax base directly related to the related program.
Rating Agencies	<p>Independent sources of information and analysis for capital markets and debt instruments. These agencies are private and for profit entities that assist investors by providing rating and detailed research on credit factors. These factors determine the credit worthiness of municipalities, governments, and business entities.</p> <p>The three primary Rating Agencies that rate municipal debt are: Fitch Ratings; Moody's Investors Service; and Standard & Poor's Rating Services.</p>

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

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

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

Glossary

Restricted Net Position

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

Unqualified or “Clean” Audit Opinion

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

Unrestricted Net Position

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





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YEAR ENDED SEPTEMBER 30, 2013