

# 2007

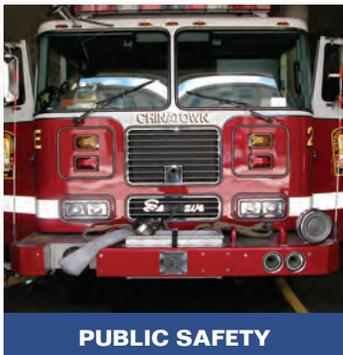


Government of the District of Columbia  
Office of the Chief Financial Officer

**YEAR ENDED SEPTEMBER 30, 2007**

# CITIZEN'S FINANCIAL REPORT

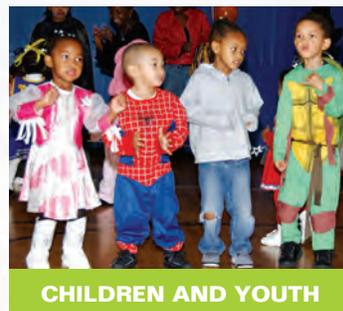
**Adrian M. Fenty**, Mayor  
**Natwar M. Gandhi**, Chief Financial Officer



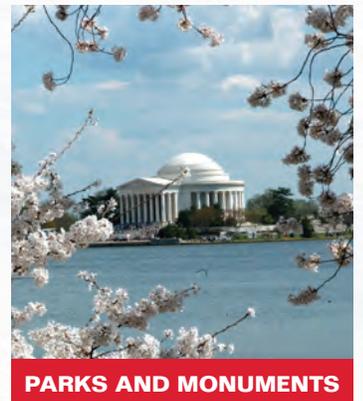
**PUBLIC SAFETY**



**ECONOMIC GROWTH**



**CHILDREN AND YOUTH**



**PARKS AND MONUMENTS**

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April 28, 2008

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 presentation of financial information contained in the District of Columbia's Fiscal Year 2007 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 fifth publication of the Citizen's Financial Report. In the previous four fiscal years, the District was honored with the prestigious "Award for Outstanding Achievement in Popular Annual Financial Reporting" by the Government Finance Officers Association. It is expected that this report would continue to conform to the Popular Annual Financial Reporting requirements.

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 web site at [www.dc.gov](http://www.dc.gov).

Respectfully submitted,



Adrian M. Fenty  
Mayor



Natwar M. Gandhi  
Chief Financial Officer



Anthony F. Pompa  
Deputy CFO for  
Financial Operations & Systems



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

**PRESENTED TO**

**District of Columbia**

**for the Fiscal Year Ended**

**September 30, 2006**



*Charles S. Cox*  
President

*Jeffrey L. Esser*  
Executive Director

# District of Columbia Citizen's Financial Report



Fiscal Year Ended September 30, 2007

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## Introduction

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The Popular Annual Financial Report (PAFR) is a report for the citizens. It provides information about the District of Columbia (District) 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)**.

The PAFR is not required to present the same level of detail as the CAFR. The PAFR contains reports and statements that do not present the entire financial reporting entity and may not conform to generally accepted accounting principles and governmental reporting standards. However, it meets the commitment to provide relevant disclosures to residents regarding the financial condition, general economy, and financial trends. It contains summarized financial schedules and tables.

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, 2007 in a more easily understood format and language that includes fewer technical tables than are presented in the CAFR. Below are some explanations to assist you:

**Dollar (\$) Amounts:** In the narrative and in some tables, the dollar amounts are expressed in millions or billions as indicated.

In other tables, to save space, dollar amounts are expressed as (\$000s); meaning that the amounts are expressed in thousands. Two examples are: (1) \$1,000 would be expressed as \$1 and (2) \$1,500,000 would be expressed as \$1,500.

**Glossary:** Many technical financial terms cannot be avoided. In order to better understand these terms, a Glossary is included on pages 24 and 25. The Glossary provides a definition of those technical words and financial terms that must be used to accurately present the financial information in this report.

The first time selected technical words or financial terms are used in this PAFR, in a non-title format, they will be presented in **green bold text** in the narrative. This indicates that the definition of that word or phrase is in the Glossary.

A copy of the District's FY 2007 CAFR or PAFR may be obtained at:

Office of Financial Operations & Systems  
810 First Street NE, Suite 200  
Washington D.C. 20002  
(202) 442-8200

The FY 2007 CAFR and PAFR may also be viewed on the District's web site at: [www.cfo.dc.gov](http://www.cfo.dc.gov) .

**Financial Reporting Entity**

The financial reporting entity of the District includes all of the government's agencies and its eight (8) discretely presented **component units**. However, this popular report does not include financial information for the District's component units. For additional information on these component units, please refer to the contact information below:

**Anacostia Waterfront Corporation**  
 Chief Financial Officer  
 2025 M Street, N.W. Suite 600,  
 Washington, D.C. 20036  
 202-724-8111

**DC Water and Sewer Authority**  
 General Manager  
 5000 Overlook Avenue, S.W.  
 Washington, D. C. 20032  
 202-787-2000

**University of the District of Columbia**  
 President  
 4200 Connecticut Avenue, N.W.  
 Washington, D. C. 20008  
 202-274-5000

**DC Economic Development Finance Corporation**  
 Chief Financial Officer  
 2025 M Street, N.W. Suite 600,  
 Washington, D.C. 20036

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

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

**DC Sports and Entertainment Commission**  
 General Manager  
 2001 East Capitol Street, S.E.  
 Washington, D. C. 20003  
 202-547-9077

**National Capital Revitalization Corporation**  
 Chief Financial Officer  
 2025 M Street, N.W. Suite 600  
 Washington, D.C. 20036  
 202-724-8111

**Elected Officials**

| <b>Name</b>                     | <b>Position</b> | <b>First Elected or Appointed</b> | <b>Term Expires</b> |
|---------------------------------|-----------------|-----------------------------------|---------------------|
| <b>Chief Executive Officer</b>  |                 |                                   |                     |
| Adrian M. Fenty                 | Mayor           | 2006                              | 2011                |
| <b>Council</b>                  |                 |                                   |                     |
| Vincent C. Gray                 | Chairman        | 2006                              | 2011                |
| Carol Schwartz                  | At Large        | 1997                              | 2009                |
| David A. Catania                | At Large        | 1997                              | 2011                |
| Phil Mendelson                  | At Large        | 1999                              | 2011                |
| Kwame R. Brown                  | At Large        | 2005                              | 2009                |
| Jim Graham                      | Ward 1          | 1998                              | 2011                |
| Jack Evans                      | Ward 2          | 1990                              | 2009                |
| Mary C. Cheh                    | Ward 3          | 2006                              | 2011                |
| Muriel Bowser                   | Ward 4          | 2007                              | 2011                |
| Harry Thomas, Jr.               | Ward 5          | 2006                              | 2011                |
| Tommy Wells                     | Ward 6          | 2006                              | 2011                |
| Yvette M. Alexander             | Ward 7          | 2007                              | 2011                |
| Marion Barry Jr.                | Ward 8          | 2004                              | 2009                |
| <b>House of Representatives</b> |                 |                                   |                     |
| Eleanor Holmes Norton           | Delegate        | 1991                              | 2009                |

## Financial Condition

### FY 2007 Highlights:

- The District again earned an **unqualified** or **“clean” audit opinion** on its financial statements.
- 11<sup>th</sup> consecutive balanced budget.
- The **General Fund**, which accounts for all taxes, fees and charges for services, ended the year with a budgetary surplus of \$280.9 million.
- The General Fund showed an accumulated **fund balance** of \$1.5 billion, which includes \$309.4 million in an emergency/contingency cash reserve. The fund balance represents an increase of more than \$2.0 billion since the FY 1996 deficit of \$518 million.
- The District is restricted by law to spend up to 17% of total general fund revenues for general obligation **debt service** each year. However, the actual debt service for fiscal year 2007 was only 6.9% of total revenues, or about 40.6% of the debt service ceiling.

### The District's Current General Obligation Bond Ratings

|                           |           |
|---------------------------|-----------|
| Standard & Poor's         | <b>A+</b> |
| Moody's Investors Service | <b>A1</b> |
| Fitch IBCA, Inc.          | <b>A+</b> |

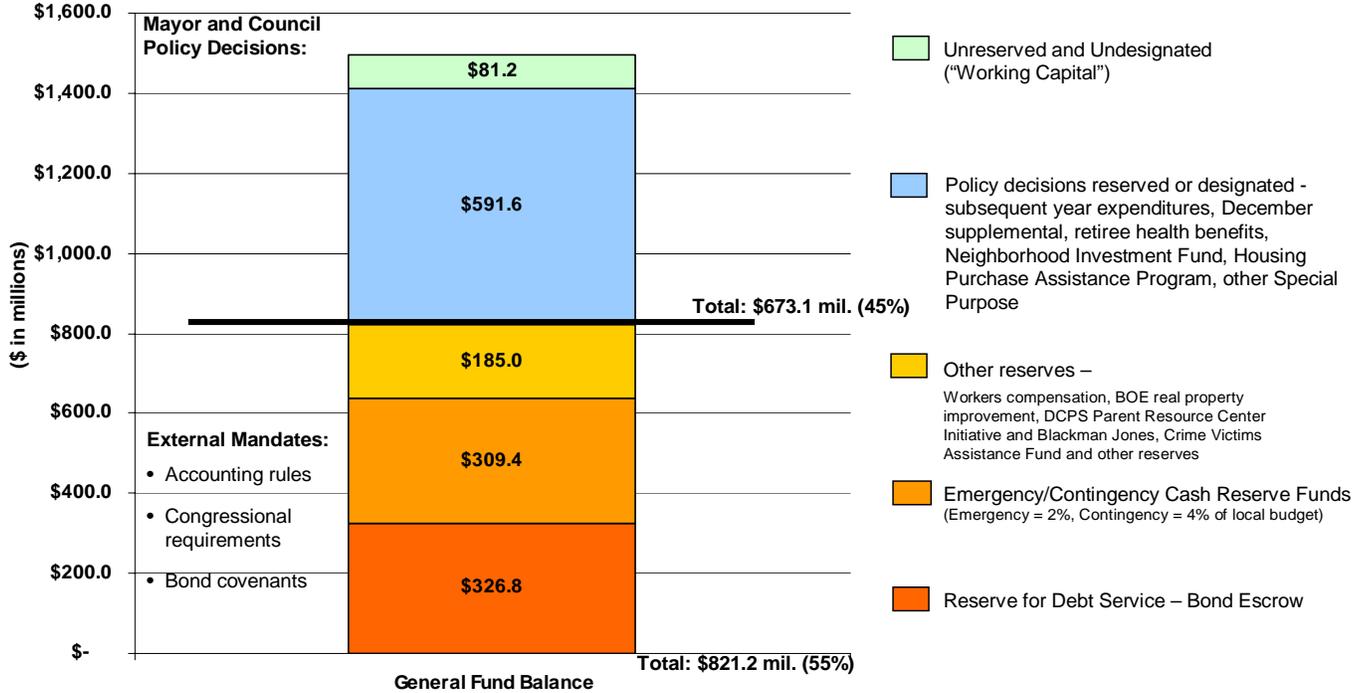
### FY 2007 General Fund Budgetary Surplus

(\$ in millions)

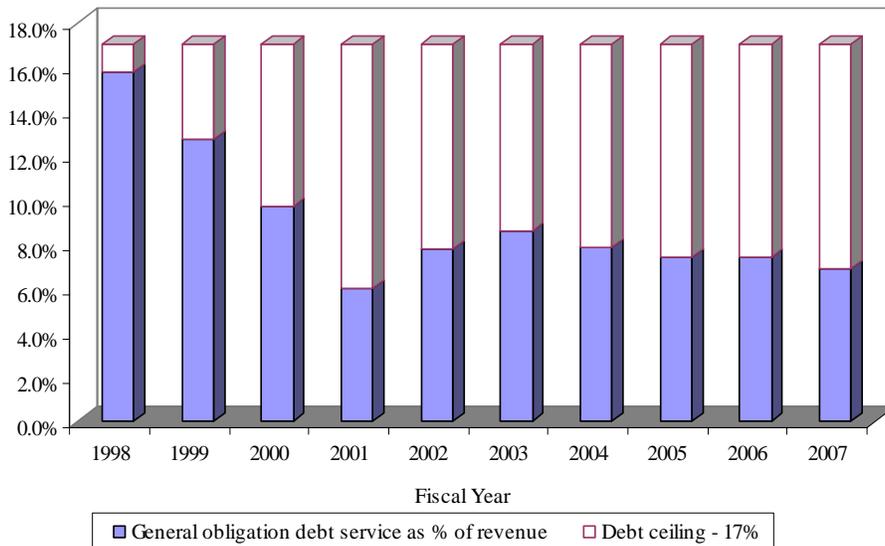
|                                    | Revised Budget    | Actual            | Variance       |
|------------------------------------|-------------------|-------------------|----------------|
| <b>Revenues</b>                    |                   |                   |                |
| Taxes                              | \$ 4,505.1        | \$ 4,787.8        | \$ 282.7       |
| Non Taxes                          | 783.8             | 790.4             | 6.6            |
| Fund Balance Release               | 344.3             | 122.4             | (221.9)        |
| All other general fund sources     | 102.1             | 86.6              | (15.5)         |
| <b>Total revenues</b>              | <b>\$ 5,735.3</b> | <b>\$ 5,787.2</b> | <b>\$ 51.9</b> |
| <b>Expenditures</b>                |                   |                   |                |
| FY2007                             | \$ 5,649.7        | \$ 5,421.3        |                |
| FY2008 Advance to Public Education | 85.0              | 85.0              |                |
| <b>Total expenditures</b>          | <b>\$ 5,734.7</b> | <b>\$ 5,506.3</b> |                |
| <b>SURPLUS</b>                     | <b>\$</b>         | <b>\$ 280.9</b>   |                |

## FY 2007 General Fund Fund Balance

Total as of September 30, 2007: **\$1,494 million**



### General Obligation Debt Service as a Percentage of Revenues



## Economic Condition

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- Sales and use taxes collected were \$1 billion, an 8.8% increase over \$971 million collected in 2006.
- Property taxes collected were \$1.5 billion, a 25% increase over \$1.2 billion collected in 2006.
- Total taxable property value was \$125.0 billion, a 26.8% increase over 2006.
- The real property market changed in FY 2007:
  - Sales of single family houses declined by 9.4 %.
  - Condominium sales increased by 4.9%.
  - The amount of commercial office space increased by 4%.
- Hotel occupancy has remained level at 75% from 2005 to 2006.

The District is a diverse economic community which hosts, on a permanent basis, more than 170 foreign embassies and recognized diplomatic missions. Also, a number of international organizations have their headquarters in the District, including the International Monetary Fund, the World Bank, the Inter-American Development Bank, and the Organization of American States.

More than 400 museums and historical landmarks attract millions of visitors to the District each year. In calendar year 2006, approximately 13.9 million U.S. citizens visited the District, a decrease of about 1.4% from the revised 2005 figure of 14.1 million. An estimated 1.2 million international visitors traveled to the District in 2006, unchanged from the 2005 revised figure. Visitors are important to the District's economy because of the money spent on lodging, meals, retail purchases and other services. The District's tourism industry generated more than \$5.2 billion in direct spending in 2006 and directly supported 60,107 jobs.

## Structural Imbalance

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

The following bullets provide highlights from the report:

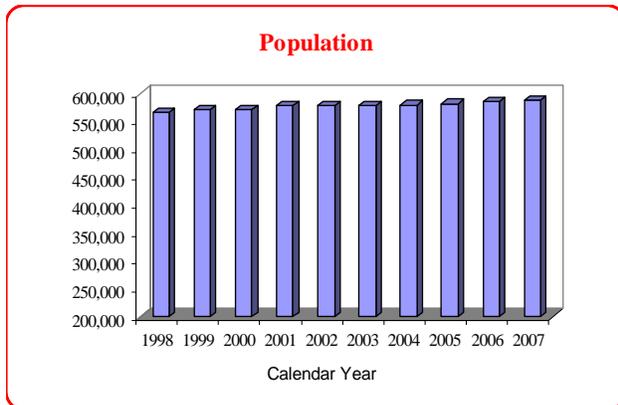
- The District faces a substantial structural deficit because the cost of providing an average level of public services exceeds the amount of revenue it could raise by applying average tax rates. The District's structural deficit is estimated to range from \$470 million to \$1.143 billion annually.
- The District's per capita total revenue capacity is higher than all other state fiscal systems. Revenue capacity would be larger without constraints on its taxing authority, such as its inability to tax federal property or the income of nonresidents.
- Even though the District's tax burden is among the highest in the nation, the resulting revenues plus federal grants are only sufficient to fund an average level of public services.
- The District's underlying structural imbalance is determined by factors beyond the District's direct control.

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

## Population Trends

Population estimates are published each year for the current and past data. In July of each year, new estimates are released from the U.S. Census Bureau, and estimates for earlier years are revised. On July 1, 2007, the U.S. Census Bureau estimated that there were 588,292 permanent residents in the District. This represents an increase of 2,833 from the revised July 1, 2006 estimate of 585,459.

The Census Bureau 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.



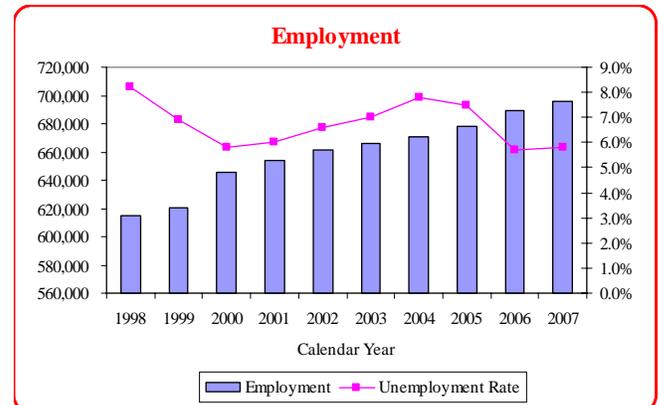
## Employment Trends

Total employment within the District in FY 2007 was 695,900, an increase from 689,300 in FY 2006.

The employment of District residents has remained at approximately 23% of the Washington metropolitan area's total during the past three years.

The unemployment rate in the District was 5.8% in FY 2007, compared to 5.7% in FY 2006.

As the nation's capital, Washington, D.C. is headquarters for most federal government departments and agencies. The total September 2007 federal work force in the Washington metropolitan area totaled 341,200; with approximately 193,700 federal employees located in Washington, D.C.



## Minimum Wage

The standard minimum wage for employees in Washington, D.C. has been \$7.00 per hour since January 1, 2006. District law requires that the minimum wage rate for Washington, D.C. employees be at least \$1.00 per hour greater than the minimum wage set by the federal government. In July 2007, the federal minimum wage rate was increased to \$5.85 per hour from \$5.15 per hour, where it had been since September 1, 1997. The President signed into law an increase in the federal minimum wage in three steps: \$5.85 per hour beginning on July 24, 2007; \$6.55 per hour beginning on July 24, 2008, and \$7.25 per hour beginning on July 24, 2009. Accordingly, the District's minimum wage will be increased to \$7.55 per hour beginning July 24, 2008 and to \$8.25 per hour beginning on July 24, 2009.

## Neighborhood Revitalization

### Restoring Eastern Market

Since opening in 1873, Eastern Market has been an important element in the Capitol Hill community by providing a neighborhood market and a gathering place for residents. Housed in a 19<sup>th</sup> century brick building, Eastern Market is the District's last public market still in operation.

On April 30, 2007, a devastating fire blazed through the market causing extensive damage and displacing 14 vendors. It took more than 400 DC firefighters to contain the fire and prevent total destruction of the market. The Mayor and City Council have committed to restoring this National Historic Landmark and rebuilding efforts are currently underway.

As a result of the fire, a temporary building was constructed across the street on the grounds of Hine Junior High School. The new building was constructed in three months and officially opened on August 25, 2007. It includes some amenities that are new to the merchants of Eastern Market, such as heating ventilation and an air conditioning system. The total cost for the temporary structure was \$2.6 million including \$1 million in equipment that will be used in the rebuilt market. The renovation of Eastern Market is expected to be completed by early 2009 at a cost of \$14 million.

*Inside Eastern Market's badly damaged building shortly after fire.*



***Eastern Market, 2005***

*Eastern Market is located at 7<sup>th</sup> and C streets, Southeast, across from the Eastern Market Metro Station. It is open to the public every day of the week except for Mondays.*

## **D.C. Department of Transportation**

The District of Columbia Department of Transportation (DDOT) is a crucial partner in major citywide, multi-agency initiatives to catalyze economic development. DDOT currently has three major construction initiatives: (1) *Anacostia Waterfront Initiative*, (2) *Fredrick Douglass Memorial Bridge* and (3) *Great Streets Initiative*.

The *Anacostia Waterfront Initiative* is a broad-based project to improve access to, across, and along the Anacostia River and to improve neighborhood connections to this valuable natural resource. Currently, the Anacostia River is the District's most undervalued and underutilized natural resource. The plan is to transform the Anacostia River and its banks into an area that will support recreational activities, such as swimming, boating and fishing, and the creation of parks, neighborhoods and cultural venues. Early projections show that the cost would be approximately \$8 billion and take at least 25 years to complete. Please visit [www.anacostiawaterfront.net](http://www.anacostiawaterfront.net) to follow the progress of this exciting and monumental task.

The *Fredrick Douglass Memorial Bridge* underwent an "extreme makeover" to extend its lifespan and viability as a major entrance into Washington, D.C. Constructed in 1950, the Frederick Douglass Memorial Bridge has served as a major thoroughfare into our nation's capital for both Southern Maryland, and Northern Virginia commuters. However, a study and evaluation conducted by DDOT in late 2001 deemed the bridge to be a major barrier to pedestrian, bicycle, motorist and commercial access in and around the Anacostia Waterfront area. This "makeover" will transform the South Capitol Street Corridor into a grand urban boulevard that will improve mobility and access and provide a fitting and beautiful gateway into the nation's capital.

The preliminary stages of renovation began in January 2007 but the most critical phase was reserved for July and August, months with the lowest amount of traffic. Utilizing the DDOT mantra of "**Get In, Get Out and Stay Out**," the

bridge was completely shutdown to traffic and pedestrians to allow for efficient and safe completion of work. The project consisted of two types of rehabilitation being done simultaneously: 1) the repair of existing structures and 2) the creation of new buildings and designs for the bridge. The most notable work was the lowering of approximately 200 feet of the bridge's northern approach by up to 10 feet from its then-elevated position to create an at-grade roadway with a new intersection at South Capitol Street and Potomac Avenue.

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

- 1) Georgia Avenue and 7<sup>th</sup> Street, N.W., from Eastern Avenue to New York Avenue
- 2) H Street, NE, and Benning Road N.E./S.E., from North Capitol Street to Southern Avenue
- 3) Nannie Helen Burroughs Avenue, N.E., from Kenilworth Avenue to Eastern Avenue
- 4) Minnesota Avenue, N.E./S.E., from Sheriff Road, N.E., to Good Hope Road, S.E.
- 5) Pennsylvania Avenue, S.E., from the Sousa Bridge to Southern Avenue
- 6) Martin Luther King, Jr. Avenue and South Capitol Street from and including Good Hope Road to Southern Avenue

Please visit [www.greatstreetsdc.com](http://www.greatstreetsdc.com) to view the plan and progress of this effort.

## Projects in Development

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### The Convention Center Headquarters Hotel

In September 2007, the District and Marriott International reached an agreement to build a 1,150-room Marriott Marquis convention center headquarters hotel. The hotel will be located at 9th and L Streets, N.W., just west of the Walter E. Washington Convention Center. To move the deal forward, the District completed a land swap on November 1, 2007 with local developer Kingdon Gould III for property located within the old convention center site. The District will lease Marriott the hotel site for 99 years and Marriott will build and operate the hotel. The District will contribute \$134 million in tax increment financing (TIF) that will come from the proceeds of the sale of WCCA-issued bonds. The bonds will be repaid using a portion of the new tax revenue generated by the hotel.

### The Old Convention Center Site

On December 17, 2007, the Mayor announced that the District had closed on an \$850 million deal with Hines | Archstone-Smith to redevelop the 10-acre former Washington Convention Center site. Bounded by 9th, H and 11th Streets and New York Avenue NW, the project will create a pedestrian-friendly neighborhood with 250,000 square feet of retail; more than 670 apartments and condos; 465,000 square feet of office space and parks and entertainment areas—a combination that will make the site a live/work/play environment unlike any other in DC.

The Hines | Archstone-Smith team expects to break ground on the site by January 2009. The team is working to finalize design, bidding and permitting by November 2008. It is anticipated that a 35-month construction period will begin in January 2009, with initial occupancy in July 2011.

## Completed Projects

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### Newseum

The Newseum, the world's most interactive museum of news, kicked off its grand opening on April 11, 2008. Located at the intersection of Pennsylvania Avenue and Sixth Street, N.W., the 250,000 square foot museum of news offers visitors an experience that blends five centuries of news history with up-to-the-second technology and hands-on exhibits. The exterior's unique architectural features include a 74-foot-high marble engraving of the First Amendment and an immense front wall of glass which allows passers-by to see inside.

The Newseum features seven levels of galleries, theaters, retail spaces and visitor services. It offers a unique environment that takes museumgoers behind the scenes to experience how and why news is made.



**Super Giant Food Supermarket**

On December 7, 2007, a Super Giant Food Supermarket opened in Southeast, D.C. – the first new supermarket to open east of the Anacostia River in nearly 10 years. The new 65,000 square foot, full-service supermarket is located on Alabama Avenue, S.E. in a newly expanded strip mall called the Shops at Park Village. The Shops at Park Village along with Asheford Court, a 75-home community, is part of a mixed-use development built on the former Camp Simms Military Reservation. The Camp Simm's development is a joint venture between the East of the River Community Development Corporation and William C. Smith & Co.



**DC USA**

DC USA is a 546,000 square foot shopping and entertainment complex, opened in early 2008. It is located at 14<sup>th</sup> Street and Park Road, N.W. in the Columbia Heights neighborhood. The \$140 million complex was modeled after Harlem USA in New York City and houses a mix of national brand retailers including Target, Best Buy, Staples, Marshalls, and Bed Bath and Beyond. The complex also houses neighborhood-serving amenities including a Washington Sports Club and several restaurants.



## Baseball in the District of Columbia

The District's new, spectacular, state-of-the-art ballpark to house the Washington Nationals Baseball Team was completed in early 2008 after only 22 months of construction. The 41,888 seat stadium is equipped with world-class facilities, state-of-the-art video and audio technology, including a 4,500 square foot high-definition scoreboard, the largest in Major League Baseball history. The District marked this monumental accomplishment to a sold out crowd at the Washington National's Home Opener held on March 30, 2008 against the Atlanta Braves Baseball Team.

The new \$611 million ballpark named "**Nationals Park**" is located in the Southeast sector of Washington, D.C., along the Anacostia River in a new mixed-use entertainment zone. It is accessible by both the highway and Metrorail and is one of the main centerpieces in the development of the Southeast D.C. Waterfront.



To accommodate the high volume of traffic around the new ballpark, the Navy Yard Metro Station underwent a \$20 million expansion. This effort increased its capacity from 5,000 riders an hour to 15,000 riders per hour. The expansion details include:

- 1) Increasing the number of fare gates and fare card machines
- 2) Relocating the West entrance to the street level
- 3) Installing a new elevator from the street level to the mezzanine, and
- 4) Installing a new stairway between the mezzanine and the platform.



Washington Nationals Home Opener, March 30, 2008  
[Courtesy of Clark Construction Webcam]



## *Nations Park Gets the Green Light!*

Nations Park is the nation's greenest ballpark. The District is proud to announce that Nations Park received LEED® Silver Certification from the U.S. Green Building Council, making it the first major stadium in the United States to achieve LEED Certification. LEED is a point-based system where projects earn points for satisfying specific green building criteria.

LEED (Leadership in Energy and Environmental Design) is a rating system that was designed by the U.S. Green Building Council (USGBC) to guide and distinguish high performance buildings that have less of an impact on the environment, are healthier for those who use the building and are more profitable than their conventional counterparts.

Set near the Anacostia River, the ballpark's site dictated much of the approach to LEED Certification. The ballpark rests on soil that once was contaminated. That soil was treated and replaced. Also, six massive sand filters buried underground will keep ballpark washdown water, hot dog wrappers and other debris from polluting the river nearby. The ballpark also neighbors a variety of public transportation options, including rail, bike and bus routes.

The Ballpark Received 33 Points Toward LEED Certification For Such Green Design Elements As:

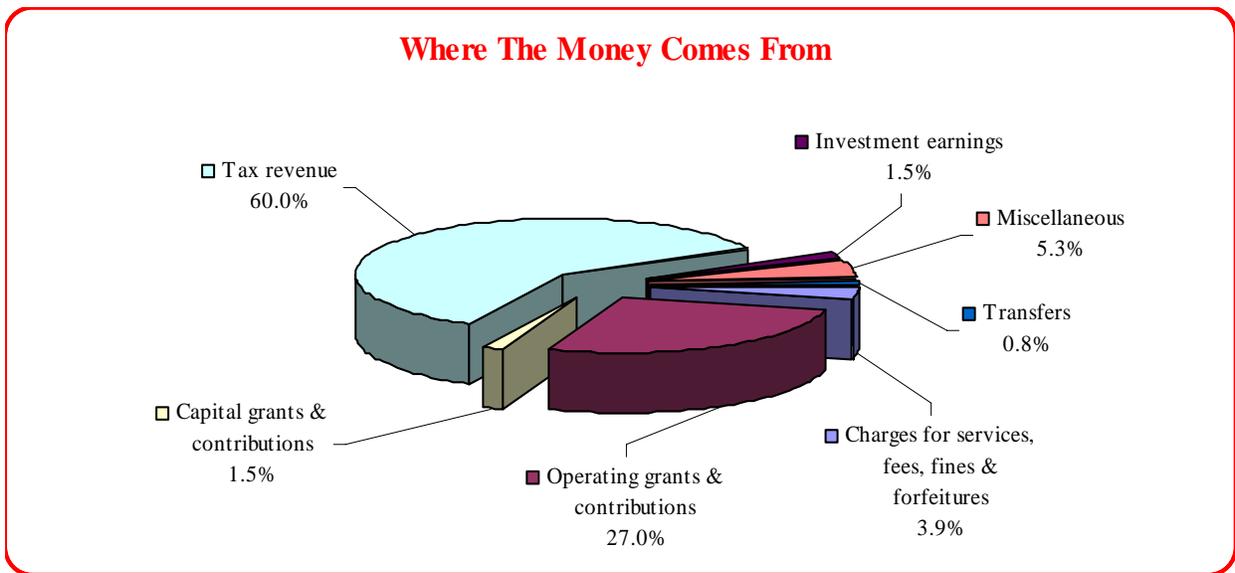
- Using high efficiency field lighting, which will save 21 percent over typical field lighting.
- Installing water conserving plumbing fixtures, which will save 3.6 million gallons of water per year and reduce overall water consumption by 30 percent.
- Using air-cooled chillers instead of water-cooled chillers will save another 6 million gallons of water per year.
- Placing 100 recycling bins for fan use throughout the ballpark.
- Using recycled materials in 20 percent of the ballpark's construction, and recycling 5,500 tons of construction waste.
- Planting a 6,300 square foot green roof above a concession/toilet area beyond left field to collect rain water and minimize roof heat gain.
- Creating signage around the ballpark highlighting the ballpark's environmentally friendly aspects.

## Financial Resources

### District-Wide Revenues

The majority of the District's funds come from the collection of taxes which represents 60% of total revenues. In FY 2007, the District collected \$1 billion in Sales and Use taxes, which was \$85 million more than in FY 2006. The District also collected \$1.5 billion in Property taxes; \$1.7 billion in Income and Franchise taxes; and \$801 million in other taxes in FY 2007.

Two other main sources of revenues are federal and private resources, which include Operating Grants and Contributions.

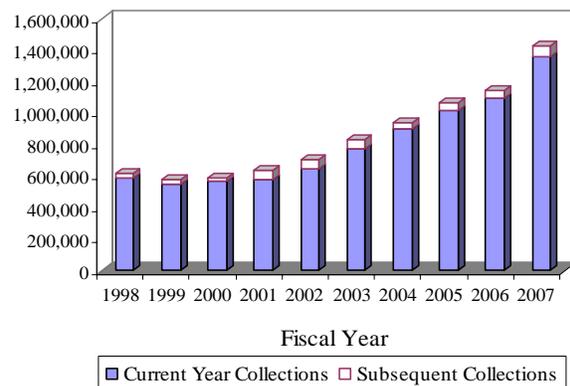


### Real Property Tax

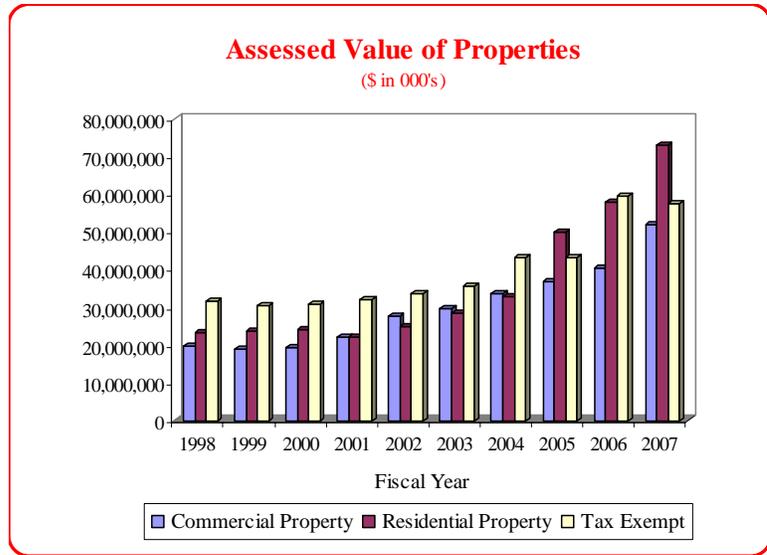
Real property tax increased due to higher assessments on existing properties and on new construction. Deed recordation fees were also higher due to brisk real estate purchases and refinancing prompted by low mortgage interest rates.

### Real Property Tax Collections

(\$ in 000's)



The total assessed value of all commercial and residential properties in the District at September 30, 2007 was \$124.8 billion compared with \$98.5 billion in the prior year. Tax-exempt properties accounted for \$57.7 billion or 31.6% of the total estimated actual value in FY 2007 of \$182.6 billion.



**General Fund Budget**

The FY 2007 general fund actual results of operations showed that total revenues of \$5.8 billion exceeded projections by \$52 million. Total actual expenditures and other uses were \$5.5 billion, which was \$228 million less than the budgeted amount.

**FY 2007 General Fund Budgetary Highlights**  
(\$ in 000's)

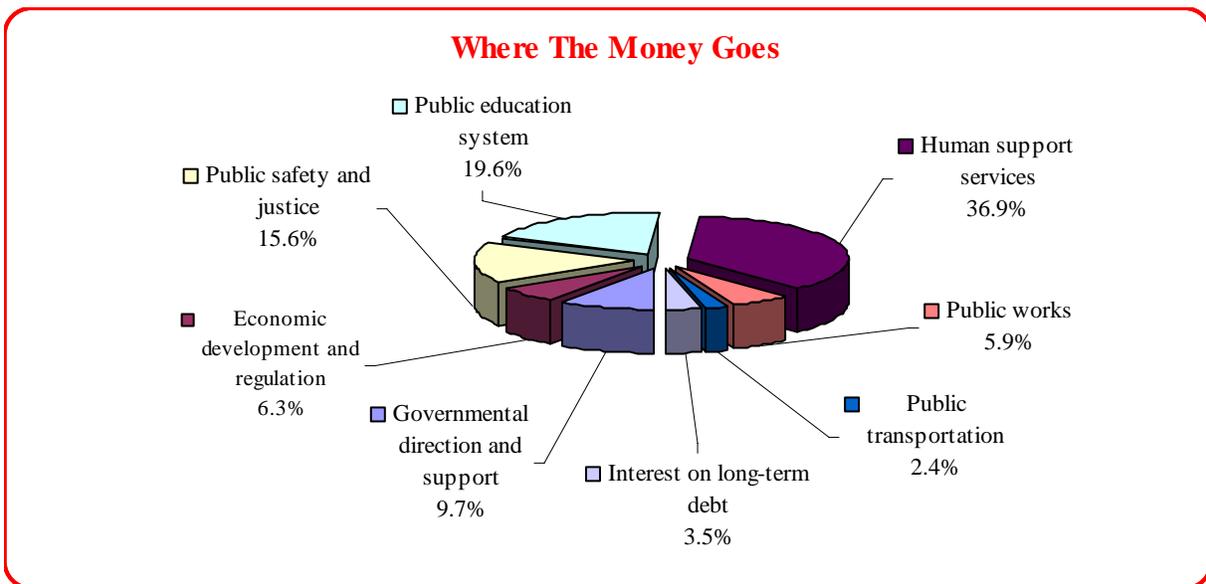
|                                          | Budget           | Actual            | Variance Over (under) |
|------------------------------------------|------------------|-------------------|-----------------------|
| <b>Revenues and Other Sources:</b>       |                  |                   |                       |
| Property taxes                           | \$ 1,421,903     | \$ 1,500,996      | \$ 79,093             |
| Other taxes                              | 3,083,225        | 3,286,775         | 203,550               |
| Charges for services                     | 337,561          | 423,875           | 86,314                |
| Other sources (O type)                   | 446,201          | 366,511           | (79,690)              |
| All other sources                        | 446,387          | 208,994           | (237,393)             |
| <b>Total revenues and other sources</b>  | <b>5,735,277</b> | <b>5,787,151</b>  | <b>51,874</b>         |
| <b>Expenditures and Other Uses:</b>      |                  |                   |                       |
| Governmental direction and support       | 432,526          | 366,258           | 66,268                |
| Economic development and regulation      | 437,945          | 380,623           | 57,322                |
| Public safety and justice                | 977,060          | 961,429           | 15,631                |
| Public education system                  | 1,174,460        | 1,155,629         | 18,831                |
| AY08 public education expenditures       | 85,047           | 85,047            | -                     |
| Human support services                   | 1,533,234        | 1,512,702         | 20,532                |
| Public works                             | 447,792          | 429,971           | 17,821                |
| Other                                    | 646,717          | 614,638           | 32,079                |
| <b>Total expenditures and other uses</b> | <b>5,734,781</b> | <b>5,506,297</b>  | <b>228,484</b>        |
| <b>Excess -- budgetary basis</b>         | <b>\$ 496</b>    | <b>\$ 280,854</b> | <b>\$ 280,358</b>     |

## Resource Allocation

The District provides a broad range of services to its residents, including those normally provided by states and counties. These services include: public safety and justice, public education, human support services, and public works.

In FY 2007, the District's total expenditures were \$8.1 billion. Human Support Services expenditures represented 36.9% of the total.

The majority of the Human Support Services expenditures were for the District's Medicaid and Medicare programs. Public Education, primarily D.C. Public Schools and Charter Schools, represents 19.6% of total expenditures. Public Safety and Justice, mainly the Police Department and Fire and EMS Services, represents 15.6% of total expenditures.



## Debt Management

The District's total outstanding long-term debt was \$5.5 billion at September 30, 2007. This amount consisted of general obligation bonds, ballpark bonds, **tax increment financing (TIF)** bonds, **qualified zone academy bonds (QZAB)** and tobacco settlement bonds.

The general obligation debt per capita (D.C. resident), as of September 30, 2007, was \$7,038. This was an increase of \$592, or 8.4% from the amount on September 30, 2006 of \$6,446 debt per capita. The increase was due to the issuance of additional general obligation debt, and a decrease in the U.S. Census population estimate for Washington, D.C.

The table below displays the balances in each category and changes in long-term debt.

| <b>Long-Term Debt</b>        |                     |                     |                   |
|------------------------------|---------------------|---------------------|-------------------|
| <b>(\$ in 000's)</b>         |                     |                     |                   |
|                              | <b>2007</b>         | <b>2006</b>         | <b>Change</b>     |
| General Obligation Bonds     | \$ 4,140,133        | \$ 3,773,863        | \$ 366,270        |
| Ballpark Bonds               | 528,490             | 534,800             | (6,310)           |
| TIF Bonds *                  | 105,229             | 124,302             | (19,073)          |
| Qualified Zone Academy Bonds | 4,788               | 5,221               | (433)             |
| Tobacco Bonds                | 737,069             | 742,284             | (5,215)           |
| <b>Total</b>                 | <b>\$ 5,515,709</b> | <b>\$ 5,180,470</b> | <b>\$ 335,239</b> |

\* FY 2006 included TIF notes and bonds.

**Bond Rating Agencies**

**Rating Agencies** assess 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) Standard & Poor's Rating Services (2) Moody's Investors Service; and (3) Fitch IBCA, Inc. In FY 2007, the District's bond rating by Standard & Poor's remained stable at A+ and the ratings by Moody's and Fitch were upgraded to A1 and A+ respectively.

The current ratings are the highest ratings in the city's history and are representative of the improved and strong financial standing of the District. Indeed, the District's turnaround from "junk bond" status was faster than any other major city that has undergone a similar period of financial crisis, including New York, Philadelphia, Cleveland and Detroit. The improved bond ratings allow the District to either refinance outstanding debt, or to issue new debt, at more favorable rates. Lower interest rates translate into lower debt service payments.

**Bond Rating History**

|                | <b>Fiscal Year</b> |             |             |             |             |             |             |             |             |             |
|----------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                | <b>1998</b>        | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
| <b>S&amp;P</b> | BB                 | BBB         | BBB         | BBB+        | BBB+        | A-          | A           | A+          | A+          | A+          |
| <b>Moody's</b> | Ba1                | Baa3        | Baa3        | Baa1        | Baa1        | Baa1        | A2          | A2          | A2          | A1          |
| <b>Fitch</b>   | BB+                | BBB         | BBB         | BBB+        | BBB+        | A-          | A-          | A           | A           | A+          |

## Government-Wide Financial Statements

### Governmental Activities

The traditional (fund based) reporting of governmental activities focuses on short term receipts, disbursements and balances of spendable resources. The **government-wide financial statements**, on the other hand, combine long-term information with the short-term to provide a complete picture of the District's finances. This approach accounts for all revenues and expenses incurred in the fiscal year, regardless of when the cash is received or spent. The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. This statement distinguishes between governmental activities, business-type activities, and component units' activities.

The *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, including depreciation.

### Financial Analysis of the Government as a Whole

The "Net Assets" table below shows net assets from governmental activities and business-type activities, and the totals for these two activities.

**Net Assets as of September 30, 2007**  
(\$ in 000's)

|                                                    | <u>Governmental activities</u> |                            | <u>Business-type</u>     |                          | <u>Totals</u>              |                            |
|----------------------------------------------------|--------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
|                                                    | <u>2007</u>                    | <u>2006</u>                | <u>2007</u>              | <u>2006 Restated</u>     | <u>2007</u>                | <u>2006 Restated</u>       |
| Current and other assets                           | \$ 4,181,473                   | \$ 3,811,134               | \$ 489,112               | \$ 473,582               | \$ 4,670,585               | \$ 4,284,716               |
| Capital assets                                     | 6,139,898                      | 5,546,741                  | 17,211                   | 17,505                   | 6,157,109                  | 5,564,246                  |
| Total assets                                       | <u>10,321,371</u>              | <u>9,357,875</u>           | <u>506,323</u>           | <u>491,087</u>           | <u>10,827,694</u>          | <u>9,848,962</u>           |
| Long-term liabilities                              | 6,416,109                      | 5,984,643                  | 46,725                   | 52,584                   | 6,462,834                  | 6,037,227                  |
| Other liabilities                                  | 1,345,934                      | 1,259,206                  | 41,259                   | 44,060                   | 1,387,193                  | 1,303,266                  |
| Total Liabilities                                  | <u>7,762,043</u>               | <u>7,243,849</u>           | <u>87,984</u>            | <u>96,644</u>            | <u>7,850,027</u>           | <u>7,340,493</u>           |
| Net assets:                                        |                                |                            |                          |                          |                            |                            |
| Invested in capital assets,<br>net of related debt | 1,197,275                      | 958,597                    | 17,211                   | 17,505                   | 1,214,486                  | 976,102                    |
| Restricted                                         | 1,269,708                      | 987,650                    | 375,148                  | 347,938                  | 1,644,856                  | 1,335,588                  |
| Unrestricted                                       | 92,345                         | 167,779                    | 25,980                   | 29,000                   | 118,325                    | 196,779                    |
| <b>Total net assets</b>                            | <b>\$ <u>2,559,328</u></b>     | <b>\$ <u>2,114,026</u></b> | <b>\$ <u>418,339</u></b> | <b>\$ <u>394,443</u></b> | <b>\$ <u>2,977,667</u></b> | <b>\$ <u>2,508,469</u></b> |

- Total assets increased by \$979 million; this was due to an increase of \$338 million in cash and investments and an increase of \$593 million in capital assets.
- The increase of \$510 million in total liabilities was due to the issuance of debt for financing the construction of infrastructure and capital improvements.

- The increase of net assets of approximately \$469 million was due mainly to significant increases in property taxes of \$272 million, income and franchise taxes of \$145 million, and \$184 million from other taxes.
- The combined total net assets for the governmental activities and business-type activities increased by 18.7% over the previous year.
- **Capital assets** increased because the District invested more resources in new and rehabilitated infrastructure, such as roads, bridges and buildings. This increase in assets was funded primarily by the increase in revenues and proceeds from debt issuance.
- Each year, the D.C. Lottery transfers substantially all of its net income to the District. In FY 2007, it transferred \$65.4 million of its income, which was a \$8.4 million decrease from last year.

**Change in Net Assets as of September 30, 2007**  
(\$ in 000's)

|                                       | Governmental activities |                     | Business-type activities |                   | Total               |                     |
|---------------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
|                                       | 2007                    | 2006                | 2007                     | 2006              | 2007                | 2006                |
| Revenues:                             |                         |                     |                          |                   |                     |                     |
| Program revenues:                     |                         |                     |                          |                   |                     |                     |
| Charges for services                  | \$ 334,977              | \$ 325,413          | \$ 288,673               | \$ 295,545        | \$ 623,650          | \$ 620,958          |
| Operating grant and contributions     | 2,309,495               | 2,155,035           | 18,358                   | 14,825            | 2,327,853           | 2,169,860           |
| Capital grants and contributions      | 130,557                 | 119,715             | -                        | -                 | 130,557             | 119,715             |
| General revenues                      | 5,720,277               | 5,042,336           | 112,053                  | 115,919           | 5,832,330           | 5,158,255           |
| <b>Total revenues</b>                 | <b>8,495,306</b>        | <b>7,642,499</b>    | <b>419,084</b>           | <b>426,289</b>    | <b>8,914,390</b>    | <b>8,068,788</b>    |
| <b>Expenses</b>                       | <b>8,115,380</b>        | <b>7,352,937</b>    | <b>329,812</b>           | <b>332,090</b>    | <b>8,445,192</b>    | <b>7,685,027</b>    |
| <b>Other non-operating activities</b> | <b>65,376</b>           | <b>73,800</b>       | <b>(65,376)</b>          | <b>(73,800)</b>   | <b>-</b>            | <b>-</b>            |
| Increase (decrease) in net assets     | 445,302                 | 363,362             | 23,896                   | 20,399            | 469,198             | 383,761             |
| Net assets - Oct 1                    | 2,114,026               | 1,750,664           | 394,443                  | 374,044           | 2,508,469           | 2,124,708           |
| <b>Net assets - Sept 1</b>            | <b>\$ 2,559,328</b>     | <b>\$ 2,114,026</b> | <b>\$ 418,339</b>        | <b>\$ 394,443</b> | <b>\$ 2,977,667</b> | <b>\$ 2,508,469</b> |

The improvements in the District's financial position were mainly the result of an increase in revenues and better expenditure management. The increase in business-type activities net assets resulted from improved operating efficiency.

The government-wide financial statements focus on all of the District's *economic* resources while the **governmental funds** focus on the flow of *current financial* resources.

## Governmental Funds

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The fund financial statements are more familiar to regular readers of the traditional Comprehensive Annual Financial Report (CAFR). The focus is on major funds and not on fund types. Major funds are presented individually. Non-major governmental funds and non-major proprietary 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 require the reporting on the activities and services that these funds provide to the general public. 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, General Capital Improvements, Baseball Capital Projects, and Non-major 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, Unemployment Compensation; and one non-major fund in this classification.

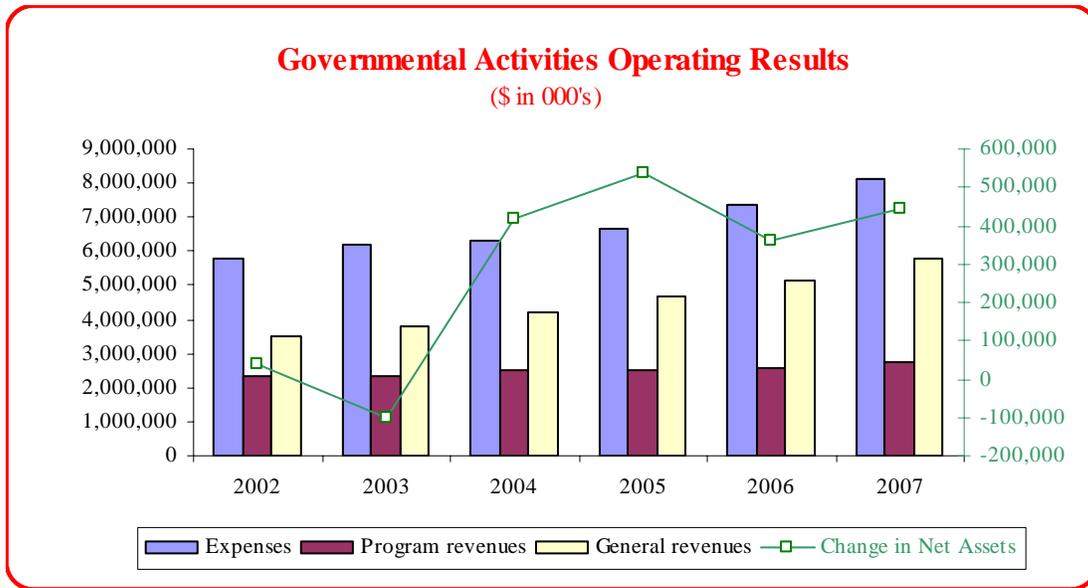
- *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. These funds are presented separately from the District's other funds because these resources are not available to finance the operations of the government. The District is the trustee, or fiduciary, for its employees' pension plans.

### Assets and Liabilities

- Total assets increased by \$94.4 million. This increase was due mainly to unspent proceeds from debt issuance.
- The decrease of \$205.5 million in liabilities was due mainly to a reduction in interfund loan activity.

### Operating Results

- Revenue increased by \$854 million. This was due mainly to an increase in taxes of \$673 million, \$86 million in operating grants and \$95 million in other miscellaneous revenue.
- Expenditures increased by \$693 million. This increase was due mainly to expenditures related to human support services, public safety, public education and capital improvements.
- The increase of \$300 million in the net change in fund balance was due mainly to the increase in tax revenues and proceeds from debt issuance.



**Fund Balance**

Fund balance is the difference between the assets and liabilities, and is divided into two major parts, *reserved* and *unreserved*. The **reserved fund balance** represents amounts that are already committed to specific programs and are not available for other uses. A positive **unreserved fund balance** represents resources available to fund subsequent years' activities.

The fund balance does not consist entirely of cash. Cash is only one of the assets that enter into the calculation of fund balance (assets minus liabilities equal fund balance). Therefore, the fund balance may consist of cash and other resources or assets like receivables and inventories. In some cases, the composition of financial assets may be such that it is possible to have a large positive fund balance with little or no cash.

- Over the past ten years, the District's fund balance in the general fund increased from a negative balance of \$518 million to a positive balance of \$1.5 billion in FY 2007, an increase of over \$2 billion.

- The unreserved fund balance totaled \$358.5 million in FY 2007.
- The fund balance includes a rainy day (emergency/contingency cash reserve) fund of \$309.3 million. In addition, there is \$326.7 million in cash set aside for long term debt service and \$277.3 million designated by management for specific programs and projects.
- The unallocated fund balance of \$81.2 million represents resources that the District's management intends to use to supplement the rainy day fund.

## Property Tax Refund Fraud

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On November 7, 2007, federal authorities announced an investigation in connection with a massive property tax refund fraud scheme within the District's Office of Tax and Revenue (OTR). The investigation led to the arrest of two OTR employees along with three of their alleged co-conspirators (non-D.C. government employees). The scheme allowed the accusers to steal tens of millions of dollars from the District by approving and issuing fraudulent property tax refunds since at least 2001.

During FY 2007, the approximate amount alleged to have been stolen amounted to \$8.8 million. That amount has been reflected in the District's financial statements as a special item.

The investigation is continuing. The extent of the scheme and magnitude of the fraud are still being assessed.

## Outlook for FY 2008

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**Like most places in the United States, the District is expected to be adversely affected by the downturn in the nation's economy, but the District has much strength to help carry it through harder times.**

- The District, as a place to live, is increasingly desirable because of a strong job market and the need to avoid traffic congestion getting in and out of the city.
- Employment has been growing faster in the District than in the nation as a whole due to gains in the major service sectors of the District's economy (professional, health, education, and other services).
- D.C.'s hospitality sector continues to grow.
- The District is investing significantly to increase its housing stock.
- Federal government expenditures add 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.
- Public safety and public works continue to create a more acceptable environment for new employment, visitors, and residents.

# Miscellaneous Statistics

## Last Two Fiscal Years

|                                                                                          | <u>FY 2007</u> | <u>FY 2006</u> |
|------------------------------------------------------------------------------------------|----------------|----------------|
| <b><u>PUBLIC SAFETY AND JUSTICE</u></b>                                                  |                |                |
| <b><u>Police</u></b>                                                                     |                |                |
| Crime index offenses                                                                     | 33,043         | 32,311         |
| Number of police officers                                                                | 3,907          | 3,800          |
| Number of patrol cars                                                                    | 1,222          | 1,234          |
| <b><u>Fire</u></b>                                                                       |                |                |
| Number of fire fighters                                                                  | 1,586          | 1,536          |
| Number of fire alarms                                                                    | 153,778        | 161,361        |
| Inspections                                                                              | 19,282         | 28,636         |
| Number of fire fighting equipment                                                        | 130            | 107            |
| <b><u>EMS</u></b>                                                                        |                |                |
| Number emergency medical personnel                                                       | 232            | 264            |
| Number of emergency responses                                                            | 339,400        | 149,395        |
| Number of ambulances                                                                     | 91             | 78             |
| <b><u>PUBLIC EDUCATION SYSTEM</u></b>                                                    |                |                |
| <b><u>D.C. Public School System</u></b>                                                  |                |                |
| Number of school teachers                                                                | 4,509          | 4,614          |
| Number of school students                                                                | 52,945         | 56,943         |
| Number of high school graduates                                                          | 2,489          | 2,450          |
| Number of school buses                                                                   | 727            | 712            |
| <b><u>University of the District of Columbia</u></b>                                     |                |                |
| Number of teachers                                                                       | 242            | 215            |
| Number of students                                                                       | 5,612          | 5,772          |
| Number of graduates                                                                      | 475            | 573            |
| <b><u>PARKS AND RECREATION</u></b>                                                       |                |                |
| Acreage                                                                                  | 836            | 832            |
| Number of recreation & Community Centers                                                 | 73             | 70             |
| Number of day camps                                                                      | 86             | 86             |
| Number of outdoor swimming pools                                                         | 26             | 24             |
| Number of indoor swimming pools                                                          | 8              | 6              |
| <b><u>PUBLIC WORKS/PUBLIC TRANSPORTATION</u></b>                                         |                |                |
| Street resurfaced (includes reconstruction); regular cover; pavement restoration (miles) | 52             | 65             |
| Potholes repaired                                                                        | 6,262          | 3,649          |
| Refuse collected (tons per day)                                                          | 406            | 425            |
| Recyclables collected (tons per day)                                                     | 95             | 86             |
| Tons of bulk trash removed                                                               | 4,831          | 4,610          |
| Tons of leaves removed                                                                   | 7,834          | 9,588          |
| Tons of snow removed                                                                     | 661,050        | 855,712        |
| <b><u>CONVENTION CENTER</u></b>                                                          |                |                |
| Conventions held                                                                         | 151            | 106            |
| Attendees                                                                                | 1,028,953      | 935,485        |

## Glossary

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|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Capital Assets</b>                                  | Assets (infrastructure, land, buildings, equipment) used in operations that have initial useful lives extending beyond a fiscal year.                                                                                                                                                                                                                                                                                                                                                            |
| <b>Component Unit</b>                                  | A legally separate organization for which the primary government is financially accountable and includes as part of its financial reporting entity.                                                                                                                                                                                                                                                                                                                                              |
| <b>Comprehensive Annual Financial Report (CAFR)</b>    | An annual report issued by state and local governmental entities. A CAFR has three major sections: introductory, financial and statistical.                                                                                                                                                                                                                                                                                                                                                      |
| <b>Debt Service</b>                                    | Cash required in a given period, usually one year, for payment of interest and principal on outstanding debt                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Fiscal Year</b>                                     | A financial reporting period of twelve months. The District's fiscal year commences October 1 and ends September 30.                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Fund</b>                                            | A separate fiscal and accounting entity used to segregate and account for resources related to a specific activity.                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Fund Balance</b>                                    | The difference between what is owned (assets) and what is owed (liabilities) in a governmental fund.                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>General Fund</b>                                    | 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.                                                                                                                                                                                                                                                                                                                                   |
| <b>General Obligation Bonds</b>                        | These are uninsured general obligations. The full faith and credit of the issuer is pledged for the payment of the principal and interest on these bonds.                                                                                                                                                                                                                                                                                                                                        |
| <b>Generally Accepted Accounting Principles (GAAP)</b> | The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Government-Wide Financial Statements</b>            | Financial statements that report governmental activities and business-type activities rather than funds or fund types.                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Governmental Funds</b>                              | Funds generally used to account for tax supported activities.                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Qualified Zone Academy Bond (QZAB)</b>              | This is a financing arrangement for certain academic improvement plans authorized by Congress through the Taxpayer Relief Act of 1997. Through this special funding arrangement, the issuer does not incur any interest costs and is only obligated to pay the outstanding principal amount over time.                                                                                                                                                                                           |
| <b>Rating Agencies</b>                                 | <p>Independent sources of information and analysis for capital markets and debt instruments. These agencies are private and for profit and 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 IBCA, Inc.; Moody's Investors; Service; and Standard &amp; Poor's Rating Services</p> |

## Glossary

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.

| Explanation of municipal bond ratings | RATING SERVICE |                |                              |
|---------------------------------------|----------------|----------------|------------------------------|
|                                       | <i>Fitch</i>   | <i>Moody's</i> | <i>Standard &amp; 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                            |

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.

**Reserved Fund Balance**

The portion of fund balance that reflects financial assets that is not available for spending.

**Structural Imbalance**

Represents the inability to levy taxes on federal real property, and non-municipal tax exempt property while providing state like services such as human services, mental health and education.

**Tax Increment Financing (TIF)**

This is an economic development tool used to facilitate the financing of business investment activities within a locality. TIF financing is secured by the anticipated incremental tax revenues (sales and use and property taxes) resulting from the development of an area.

**Unqualified "Clean" Audit Opinion**

An unqualified "clean" audit opinion is a written report issued by an independent auditor which states that the financial statements for the government present fairly, the financial position and results of operations for the organization.

**Unreserved Fund Balance**

The portion of fund balance that is available for spending.



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**Government of the District of Columbia**

Office of the Chief Financial Officer

**OFFICE OF THE CHIEF FINANCIAL OFFICER**

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**PHOTOS**

Ernest Grant

CFO's Office of Communications

**YEAR ENDED SEPTEMBER 30, 2007**