

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT OF COLUMBIA**

**ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND**

**Financial Statements and  
Management's Discussion and Analysis  
(With Independent Auditor's Report Thereon)  
Year Ended September 30, 2009**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



April 1, 2010

The Honorable Adrian M. Fenty  
Mayor  
District of Columbia  
The John A. Wilson Building  
Mayor's Correspondence Unit, Suite 316  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

The Honorable Vincent C. Gray  
Chairman  
Council of the District of Columbia  
John A. Wilson Building, Suite 504  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

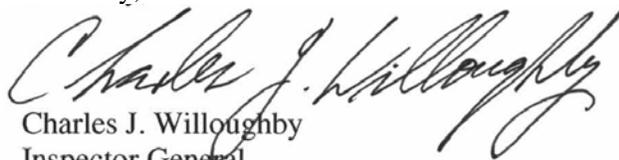
Dear Mayor Fenty and Chairman Gray:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2009, Bert Smith and Company (Bert Smith) submitted the enclosed final report on the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund (Fund).

Bert Smith opined that the financial statements present fairly, in all material respects, the financial position of the Fund, for the year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America. The financial statements of the Fund as of and for the year ended September 30, 2008, were audited by other auditors whose report, dated March 26, 2009, expressed an unqualified opinion on those financial statements. In accordance with *Government Accounting Standards*, Bert Smith has also issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

If you have questions or need additional information, please contact Victoria Lucchesi, Acting Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,

  
Charles J. Willoughby  
Inspector General

Enclosures

CJW/ws

cc: See Distribution List

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Mayor Fenty and Chairman Gray  
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Contribution Trust Fund Financial Statements,  
Management's Discussion and Analysis, and Independent  
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OIG No. 10-1-14RH – Final Report  
April 1, 2010  
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FINANCIAL STATEMENTS OF  
THE GOVERNMENT OF THE DISTRICT OF COLUMBIA  
ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND  
and  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
(With Independent Auditor's Report Thereon)

Bert Smith & Co.

Certified Public Accountants

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Washington, D.C.

**FINANCIAL STATEMENTS OF  
THE GOVERNMENT OF THE DISTRICT OF COLUMBIA  
ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the **Government of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund** (the Fund) as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Fund as of and for the year ended September 30, 2008, were audited by other auditors whose report dated March 26, 2009, expressed an unqualified opinion on those financial statements.

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

As discussed in Note 2, the financial statements present only the **Government of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund** and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia, as of September 30, 2009, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Government of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund** as of September 30, 2009, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member, American Institute of Certified Public Accountants - Private Companies Practice Section

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 and the required supplementary information on page 16 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

*Bert Smith & Co.*

Washington, D.C.  
January 29, 2010

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009 AND 2008**

**INTRODUCTION**

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's (District) Annuitants' Health and Life Insurance Employer Contribution Trust Fund (the Fund) for the periods ending September 30, 2009 and 2008. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

The District established the Plan, which is a single employer defined benefit plan on October 1, 1999. All employees hired after September 30, 1987 who retire under the Teacher Retirement System and Police and Fire Retirement System, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. On September 22, 2009, the District finalized all of the terms and provisions of the Plan.

**BASIC FINANCIAL STATEMENTS**

The Fund is required to follow GASB 43 and 45, "Financial Reporting for Post Employment Benefit Plan Other than Pension Plan", for financial statement presentation. Under GASB 43 and 45, the Plan's financial statements must consist of two basic financial statements: (a) Statement of Plan Net Assets and (b) Statement of Changes in Plan Net Assets.

- The Statement of Plan Net Assets presents the Fund's assets, liabilities, and net assets available for postretirement benefits.
- The Statement of Changes in Plan Net Assets presents the additions and deductions to the Fund's net assets.

**FINANCIAL HIGHLIGHTS**

	<u>FYE 2009</u>	<u>FYE 2008</u>
The Fund's cash and investments totaled	\$ 309,136,169	\$ 219,684,850
District's contributions totaled	\$ 81,100,000	\$ 110,906,663

## FINANCIAL ANALYSIS

**Table 1-Statement of Plan Net Assets**

	2009	2008	Change from 2008	
			Variance	% Variance
<b>Assets</b>				
Cash	\$ 81,692,062	\$ 1,602,639	\$ 80,089,423	4997.35%
Investments	<u>227,444,107</u>	<u>218,082,211</u>	<u>9,361,896</u>	<u>4.29%</u>
Total Assets	<u>\$309,136,169</u>	<u>\$219,684,850</u>	<u>\$ 89,451,319</u>	<u>40.72%</u>
<b>Liabilities</b>				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Net assets held in trust for other postemployment benefits	<u>\$309,136,169</u>	<u>\$219,684,850</u>	<u>\$ 89,451,319</u>	<u>40.72%</u>

**Table 2-Statement of Changes in Plan Net Assets**

	2009	2008	Change from 2008	
			Variance	% Variance
<b>Additions</b>				
Contributions	\$ 81,898,333	\$ 110,906,663	\$(29,008,330)	-26.16%
Net investments income (Loss)	<u>11,057,814</u>	<u>(52,220,016)</u>	<u>63,277,830</u>	<u>121.18%</u>
Total Additions	<u>\$ 92,956,147</u>	<u>\$ 58,686,647</u>	<u>\$ 34,269,500</u>	<u>58.39%</u>
<b>Deductions</b>				
Other Expenses	<u>3,504,828</u>	<u>3,182,875</u>	<u>321,953</u>	<u>10.12%</u>
Total Deductions	<u>\$ 3,504,828</u>	<u>\$ 3,182,875</u>	<u>\$ 32,953</u>	<u>10.12%</u>
Net Increase	<u>\$ 89,451,319</u>	<u>\$ 55,503,772</u>	<u>\$ 33,947,547</u>	<u>61.16%</u>

## FUND CONTRIBUTIONS

For fiscal year ended September 30, 2009, the District made a contribution in the amount of \$81,100,000 which was based on congressionally approved budget authority. The District made contributions to the Fund that covered current and future Plan benefits.

For fiscal year ended September 30, 2008, the District made a contribution in the amount of \$110,906,663 which was based on congressionally approved budget authority, of which \$56,278,463 was due to the General Fund. The District made contributions to the Fund that covered current and future Fund benefits. District contributions included fiscal year 2008 contributions of \$110,906,663 and \$54,628,200 set aside for the Plan from 2003 through 2007, and deposited in the Trust in accordance with the Trust Plan agreement.

## **PARTICIPANT CONTRIBUTIONS**

Participant contributions for fiscal year ended September 30, 2009 amounted to \$798,333. The annuitant or member of the family pays 25% of the applicable premiums for his or her health insurance coverage.

Due to the immaterial amount of fiscal year 2008 participant contributions, this activity was intentionally omitted from the financial statements.

## **DISTRICT CONTRIBUTION REFUND**

The District determined in Fiscal Year 2008 that \$41.7 million of contributions should not have been transferred from the General Fund to the Trust. The \$41.7 million contributed, plus estimated investment income from 2003 through 2007, totaled \$56,278,463. This amount was refunded to the District in June of 2008.

## **INVESTMENT INCOME/LOSS**

The plan's investments had a net investment gain for the fiscal year ended September 30, 2009 in the amount of \$3,097,977. Sanford Bernstein, Legg Mason, and BlackRock investment accounts had average positive rates of return of approximately 1.50%, 15.937%, and 1.047%, respectively. The Fund had dividend and interest income in the amount of \$7,959,837, a realized loss in the amount of (\$21,337,774), and an unrealized gain of \$24,435,751 for fiscal year 2009.

The plan's investments had a net depreciation for the fiscal year ended September 30, 2008 in the amount of \$59,559,608. This net depreciation was a result of an adverse stock market, creating a negative rate of return on investments. Sanford Bernstein, Legg Mason, and BlackRock investment accounts had average negative rates of return of approximately 24.7%, 7.8%, and 23.6%, respectively. Dividend and interest income totaled \$6,495,198 for fiscal year 2008.

## **INSURANCE PREMIUMS**

Insurance premiums represent amounts payable to the plan's health and life insurance carriers. The premium expense for fiscal years ended September 30, 2009 and 2008 were \$2,362,043 and \$1,932,831. During the fiscal year ended September 30, 2009, the number of Plan participants increased by 84 members which in turn resulted in the increase in the health and life insurance premiums. The number of plan participants decreased by approximately 149 members which in turn resulted in the decrease in the health and life insurance premiums in Fiscal Year 2008.

## **MANAGEMENT FEES**

Management fees paid during the fiscal years ended September 30, 2009 and 2008 amounted to \$1,092,884 and \$1,250,044, respectively. Of these amounts, Sanford C. Bernstein & Co., LLC, received \$591,805 and \$765,985; Legg Mason received \$276,673 and \$236,984; and BlackRock received \$224,406 and \$247,075, respectively.

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009 and 2008**  
**(In thousands)**

As management of the Washington Convention Center Authority (Authority), we present Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2009, 2008 and 2007. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

**Fiscal Year 2009 Financial Highlights**

- Net assets increased by \$12.8 million from last year, an increase of 4%, as a result of capital contributions.
- Operating expenses slightly increased by \$.9 million or 2% from fiscal year 2008, due to increases in personnel services, contractual services, occupancy and supplies expenses.
- Operating revenue decreased by \$.8 million or 5% from fiscal year 2008, resulting in total operating revenue of \$17.6 million in FY09.
- Assets exceed liabilities by \$347 million at the close of fiscal year 2009, a 4% increase over fiscal year 2008.
- The statement of cash flows indicates an increase in cash for the year by \$4.3 million.
- The Authority's bonds are rated "A2" by Moody's and "A" by both Standard & Poor's Corporation and Fitch Rating Services.

**(1) Overview of the Financial Statements**

The Authority's financial report includes: Management's Discussion and Analysis; the Financial Statements; and notes to the Financial Statements.

- The Financial Statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the statement of revenues, expenses, and changes in net assets. The basic Financial Statements include Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed there in.
- The Statements of Net Assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets report both the operating and non-operating revenues and expenses and other changes in net assets for the end of a fiscal year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
 ANNUITANTS' HEALTH AND LIFE INSURANCE  
 EMPLOYER CONTRIBUTION TRUST FUND  
 STATEMENTS OF PLAN NET ASSETS**

AS OF SEPTEMBER 30

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash	\$ 81,692,062	\$ 1,602,639
Investments, at fair value		
Equities – mutual funds	126,380,722	128,411,792
Bonds – mutual funds	101,063,385	89,670,419
Total Investments	<u>\$ 227,444,107</u>	<u>\$ 218,082,211</u>
Total Assets	\$ 309,136,169	\$ 219,684,850
<b>Liabilities</b>		
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Net assets held in trust for other post employment benefits	<u>\$ 309,136,169</u>	<u>\$ 219,684,850</u>

The accompanying notes are an integral part of these financial statements.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30**

	<u>2009</u>	<u>2008</u>
<b>Additions</b>		
Contributions:		
District Contributions	\$ 81,100,000	\$ 110,906,663
Retiree Contributions	798,333	-
Total Contributions	<u>\$ 81,898,333</u>	<u>\$ 110,906,663</u>
Investment Income:		
Net Appreciation/(Depreciation) in the Fair Value of Investments	\$ 24,435,751	\$ (59,559,608)
Dividend and Interest	7,959,837	6,495,198
Realized Gain/(Loss)	( 21,337,774)	844,394
Net Investment Income	<u>\$ 11,057,814</u>	<u>\$ (52,220,016)</u>
Total Additions	\$ 92,956,147	\$ 58,686,647
<b>Deductions</b>		
Insurance Premiums	2,362,043	1,932,831
Management Fees	1,092,884	1,250,044
Administrative Expenses	49,901	-
Total Deductions	<u>\$ 3,504,828</u>	<u>\$ 3,182,875</u>
<b>Change in Net Assets</b>	\$ 89,451,319	\$ 55,503,772
<b>Net Assets held in Trust for other Postemployment Benefits</b>		
Beginning of Year	219,684,850	164,181,078
End of Year	<u>\$ 309,136,169</u>	<u>\$ 219,684,850</u>

The accompanying notes are an integral part of these financial statements.

**GOVERNMENT OF DISTRICT OF COLUMBIA  
ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

**NOTE 1      PLAN DESCRIPTION AND CONTRIBUTIONS**

The Government of the District of Columbia (District) established the Annuitants' Health and Life Insurance Employer Contribution Trust Fund (Fund) on October 1, 1999 under the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (Act 13-149) (D. C Official Code I-622). The Plan also included a Trust Fund for the deposit of District contributions that will be used to pay future plan benefits. The Plan is administered jointly by the D.C. Office of Finance and Treasury (OFT) within the District of Columbia Office of the Chief Financial Officer, and the D.C. Office of Human Resources (DCHR).

**Plan Description**

The Plan is a single employer defined benefit plan that provides health and life insurance benefits to retired eligible District employees. All employees hired after September 30, 1987 who retire under the Teachers Retirement System and Police and Firefighters Retirement Systems, or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Trust Fund was established to hold and pay the District of Columbia's contributions for health and life insurance for annuitants. The purpose of the Plan (as defined in section 2.16) is to manage and administer the Trust Fund for the benefit of annuitants as provided in the act.

The Fund is administered jointly by the District of Columbia Office of Finance and Treasury (OFT) and the District of Columbia Office of Human Resources (DCHR). OFT is also responsible for investment of the Fund's assets. OFT invests the Fund's assets with three different contracted investment managers: BlackRock, Legg Mason, and Sanford Bernstein. DCHR is responsible for collecting the health and life insurance premiums from regular District retirees, distributing the premium payments to the health and life insurance carriers, and reimbursing the Bureau of Public Debt, a federal government agency, for the District's share of the teacher, police officer, and firefighter premiums. Although not part of the administration of the Fund, the Bureau of Public Debt collects the teacher, police officer, and fire fighter retiree contributions from their paychecks and remits the premiums to the health and life insurance carriers.

**Contributions**

Employee contributions are not required prior to retirement to fund the Plan. After retirement, the retiree pays 25% of his/her health premium coverage and the District pays the remaining 75%. The participant pays \$.03575 per \$1,000 of life insurance coverage until age 65 for the 75% reduction option. Participants can also elect a 50% or a 0% reduction, which requires additional retiree contributions.

## **NOTE 2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

### **Eligibility**

To continue insurance benefits into retirement, employees must have been continuously enrolled (or covered as a family member) under the D.C. Employees Health Benefits (DCEHB) program or the D.C. Employees Group Life Insurance (DCEGLI) program for five years prior to retirement.

If the participant was employed less than five years, then the participant must have been enrolled for his/her length of employment. Coverage under Medicare does not count in determining continuous coverage. Dependents are also covered if the employee elects family coverage.

### **Reporting Entity**

The District established the Fund, which is a single employer defined plan on October 1, 1999. As of September 30, 2009, the District finalized all of the terms and provisions of the Fund. A Trust Agreement, dated September 30, 2006, designated the Chief Financial Officer of the District as the trustee of the Fund. The Trust became operational in fiscal year 2007 and the Fund is administered as an irrevocable trust through which assets are accumulated and benefits are paid as they become due, in accordance with the substantive plan.

The Fund is included as a fiduciary fund in the District's financial statements. These financial statements present only the additions to net assets, deductions to net assets, and related assets, liabilities, and net assets available for postemployment benefits of the Fund.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Fund's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. The Fund's policy is to recognize member contributions in the period in which the contributions are due. District (employer) contributions to the Fund are recognized when due and when the District has made a formal commitment to provide the contributions. Benefit related expenses and refunds are recognized when due and payable in accordance with the terms of the Fund. Administrative costs of the Fund are paid for by the District.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of the contingent assets and liabilities at the date of the financial statements and the actuarial present value of accumulated benefits during the reported period. Actual results could differ from these estimates.

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

### **Investment Valuation and Income Recognition**

Investments are reported at fair value with realized and unrealized gains and losses included in the statement of changes in plan net assets. Fair value of the marketable securities is based on quoted market price, dealer quotes, and prices obtained from independent pricing sources. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the Fund, with the assistance of a valuation service.

### **Comparative Totals**

The financial statements for the fiscal year ended September 30, 2008 are presented only to provide a basis for comparison with fiscal year 2009. The 2008 fiscal year financial statements and disclosures are not intended to present all information necessary for fair presentation in accordance with U.S. Generally Accepted Accounting Principles. Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 financial statement presentation.

### **NOTE 3 CONTRIBUTION INFORMATION**

The Plan had 429 and 345 retired participants as of September 30, 2009 and 2008, respectively. The participants consisted of 310 and 267 teachers, police, and firefighters; and 119 and 78 General District retirees, respectively.

### **NOTE 4 MASTER CUSTODIAN CONTRACT**

The Fund administrators signed a Master Custodian Contract with State Street on September 24, 2009. The assets in Bernstein Strategic Value and Strategic Growth that were individually managed by Bernstein were transferred to State Street on September 28, 2009, with the exception of a small cash balance in the amounts of \$8,850 and \$2,250, respectively. State Street is not one of the Fund's investments firms. State Street serves as the Master Custodian for the Trust Fund. The Fund wanted to transfer Trust assets to a Master Custodian to reduce risk of loss and to improve security by transferring Fund assets from the investment managers to a custodian. Maintaining assets with a Master Custodian provides the additional advantage of tracking of information provided by the investment managers. This is because the Master Custodian provides information on investment transactions from an independent source, as well as superior reporting capabilities for the Trust Fund.

### **NOTE 5 INVESTMENTS**

The Office of Finance and Treasury (OFT) is responsible for the oversight of the investment of Fund Assets and has established a general policy with respect to the Fund. The duties and responsibilities of the OFT also include but are not limited to the following: the financial administration and management of the Plan, the establishment of investment objectives, the determination of investment policies, the establishment of management policies and the management and control of Trust assets.

The majority of the Fund's assets for the years ended September 30, 2009 and 2008, were investments, which totaled approximately \$227,444,107 and \$218,082,211, respectively. The Plan's investments were in three different funds: BlackRock, Legg Mason, and Sanford Bernstein. At September 30, 2009 and 2008, the funds were invested in equities: (41%) and (59%) and bonds: (59%) and (41%), respectively. The market value of each fund is as follows:

<u>Fund</u>	<u>2009</u>	<u>2008</u>
BlackRock	\$ 45,751,649	\$ 45,381,832
Legg Mason	72,120,290	64,477,029
Sanford Bernstein	109,572,168	108,223,350
	<u>\$ 227,444,107</u>	<u>\$ 218,082,211</u>

At September 30, 2009, the Fund held the following aggregate investments which are stated at aggregate fair value based on quoted market prices:

	<u>Aggregate Cost</u>	<u>Aggregate Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
<b>Sanford Bernstein</b>			
US Strategic Value	\$ 43,031,655	\$ 45,994,191	\$ 2,962,536
US Strategic Growth	10,430,929	12,011,417	1,580,488
International Portfolio	39,614,626	22,623,466	(16,991,160)
Intermediate Duration Institutional	28,997,564	28,943,094	(54,470)
<b>Legg Mason</b>			
WA Core Bond CL IS	76,441,132	72,120,290	(4,320,842)
<b>BlackRock</b>			
Large Cap Growth Trust-Tier 1	45,381,832	45,751,649	369,817
	<u>\$ 243,897,738</u>	<u>\$ 227,444,107</u>	<u>\$ (16,453,631)</u>

The Fund's investments are uninsured and unregistered and are held by counterparty in the Fund's name. The Fund is also subject to certain credit, interest rate risks, and foreign exchange risks.

*Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. The Fund does not invest more than 15% of the plan's assets in securities rated below "A". As of September 30, 2009 and 2008, the average quality rating of the Legg Mason and Sanford Bernstein portfolios were AA. BlackRock investment represents approximately 20% of total investments are not rated.

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund addresses interest rate risk through a process that focuses on the review of investment managers and fund returns. The Fund also uses an independent consultant to review assets and recommend any appropriate changes. The average duration of the Legg Mason and Sanford Bernstein portfolios were 4.05 and 4.45 years, for fiscal year ended September 30, 2009; 5.50 and 5.86 years, for fiscal year ended 2008.

*Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Fund does not have a formal policy for limiting its exposure to changes in exchange rates. Only the Sanford Bernstein portfolio invests in foreign companies. In its attempt to protect against the inherent exchange rate risks involved with foreign investments, Bernstein employs an “active currency management” approach, which tracks trends in currency prices and combines statistical analysis with quality market research to forecast future currency movements. Sanford Bernstein uses this information to buy and sell currencies to the Fund’s advantage, capitalizing on the added premium from the differences in interest rates and net currency value. This strategy not only protects against the risk involved with foreign currency transactions, but also adds value of return to the underlying assets, increasing the net value of the portfolio over time. The currency denomination of these investments was not available.

**NOTE 6 CASH BALANCE**

The large cash balance in the Plan as of September 30, 2009 is due to the receipt of the fiscal year contribution of \$81,100,000. The transaction date for this contribution was September 28, 2009. These funds were deposited into the State Street cash account and were subsequently distributed to the investment managers on October 22, 2009. The funds were distributed as follows:

<u>FUND</u>	<u>AMOUNT</u>
Bernstein Intermediate Duration Bond Fund	\$ 16,300,000
Legg Mason - Royce Pennsylvania Mutual Fund	10,000,000
BlackRock – Inflation Protected Bond Fund	20,200,000
BlackRock – US Opportunities Fund	28,600,000
BlackRock – Small Cap Growth Equity Fund	6,000,000
	<u>\$ 81,100,000</u>

**NOTE 7 UNITED STATES EQUITY MARKETS COLLAPSED**

The United States equity markets collapsed in September and October of 2008, largely due to the decimation of the largest United States investment banks. Lehman Brothers was allowed to go into bankruptcy, Merrill Lynch was hastily sold to Bank of America, Goldman Sachs and Morgan Stanley were transformed into commercial banks. This resulted in a huge decline in the prices of all financial stocks, and negatively impacted the entire global equity market.

The largest portion of the decline came in value stocks, which represented 100% of Bernstein’s account #037-63470 which had a fair market value of \$47,391,360 as of September 30, 2008 and a fair market value of \$39,534,368 as of October 31, 2008. The overall value of the fund as of September 30, 2008 was \$218,082,211 and the fair market value as of October 31, 2008 was \$190,627,679, a decrease in fund value of \$27,454,532 or 12.5%.

## NOTE 8      SUBSEQUENT EVENTS

Employee contributions are not required prior to retirement to fund the OPEB Plan. Since the establishment of the OPEB Plan, District retirees have been required to pay 25% of their health insurance premiums and \$0.3575 per \$1 (one thousand dollars) of life insurance coverage until age 65 for the 75% reduction option and could also elect a 50% or 0% reduction, which would require additional retiree contributions.

Beginning in fiscal year 2010, the District transitioned to a graded contribution schedule, at this time the transition is not permanent. Annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

Covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District pays the remaining 20%, plus an additional 2% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost for the covered family member of the annuitant. The District pays 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 60% of the cost of the 40% of the cost of the selected health benefit plan for covered family members of annuitants who are injured or killed in the line of duty. The impact this change will have on the District's portion of future OPEB costs has not been determined.

**GOVERNMENT OF DISTRICT OF COLUMBIA  
ANNUITANTS' HEALTH AND LIFE INSURANCE  
EMPLOYER CONTRIBUTION TRUST FUND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**ACTUARIAL ANALYSES**

An independent contractor performed an actuarial analysis of the Fund's assets and liabilities as of September 30, 2009, and October 1, 2008 to determine the future funding status of the Plan, which is outlined below. The analysis was based on census data as of April 1 2008 and October 1, 2007, and had no impact on the current financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. An example includes assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short tem volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. This data is presented below.

Valuation Date	September 30, 2009 (Projected from April 1, 2008 Census)	October 1, 2008 (Projected from April 1, 2008 Census)
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open
Remaining Amortization	30 Years	30 Years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumption:		
Investment Rate of Return	7.25%	7.25%
Discount Rate	6.50%	6.50%
Rate of Salary Increase	5.0% (plus merit scale) 10.0% (post Medicare)	5.0% (plus merit scale) 10.0% (post Medicare)
Rate of Medical Inflation	9% (post Medicare)	9% (post Medicare)
Grading Over 15 Years	Grading to 5.25% over 14 years	Grading to 5.25% over 14 years

**Funded Status and Findings Progress**

<u>Actual Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9/30/2009	\$309.1	\$900.0	\$590.9	34.3%	\$1,185.7	49.5%
10/1/2008	\$219.7	\$745.2	\$525.5	29.5%	\$1,107.1	47.5%
10/1/2007	\$164.0	\$600.0	\$436.0	27.0%	\$1,090.9	40.0%

For determining the GASB Annual Required Contribution (ARC), the rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Cost or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

**Determination of the Annual Required Contribution (ARC)**

The District's (employer) annual contribution expense is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statements No. 43 and 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For purpose of calculating the GASB ARC, which the Fund has to report each year, the rate of District (employer) contributions to the Fund is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability (UAAL).

The Normal Cost is a portion of the actuarial present value of Fund benefits and expenses which is allocated to the valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by future District normal costs or active member contributions. The difference between this liability and the funds accumulate as of the same date is the UAAL.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
(in millions)

<u>Year Ended September 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contribution</u>
2006	\$138.0	100% ***
2007	\$ 4.7	100%
2008	\$103.4	107.2%
2009	\$130.9	62%

\*\*\* Fiscal year 2006 ARC was contributed to the Fund in fiscal year 2007

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the accompanying financial statements of the **Government of the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund** (the Fund) as of and for the year ended September 30, 2009 and have issued our report thereon dated, January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

WASHINGTON CONVENTION CENTER AUTHORITY  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2009 AND 2008  
(In Thousands)

	2009	2008
<b>Assets</b>		
<b>Current assets:</b>		
Cash and Cash Equivalents	\$ 7,240	\$ 2,927
Investments	87,351	76,579
Due from District of Columbia	8,438	7,606
Accounts Receivable, Net of Allowance for Uncollectible Accounts	699	1,199
Prepaid Expenses and Other Assets	-	29
Accrued Interest Receivable	-	123
<b>Total current assets</b>	<b>103,728</b>	<b>88,463</b>
<b>Noncurrent Assets</b>		
Non-Depreciable Capital Assets	44,004	43,341
Depreciable Capital Assets, Net of Accumulated Depreciation	630,166	649,834
Unamortized Bond Issue Costs	6,116	6,340
Restricted Investments	73,046	67,331
<b>Total Noncurrent Assets</b>	<b>753,332</b>	<b>766,846</b>
<b>Total Assets</b>	<b>\$ 857,060</b>	<b>\$ 855,309</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 7,875	\$ 3,834
Compensation Liabilities	324	298
Deferred Revenue	2,488	3,088
Accrued Interest Payable	11,381	11,614
Other Financing Arrangement Payable, Current Portion	719	719
Notes Payable, Current Portion	-	2,300
Bonds Payable, Current Portion	12,160	11,690
<b>Total Current Liabilities</b>	<b>34,947</b>	<b>33,543</b>
<b>Noncurrent Liabilities</b>		
Compensated Absences	791	763
Long-term Bonds Payable including Premium	465,625	477,412
Long-term Other Financing Arrangement Payable	8,651	9,370
<b>Total Noncurrent Liabilities</b>	<b>475,067</b>	<b>487,545</b>
<b>Total Liabilities</b>	<b>510,014</b>	<b>521,088</b>
<b>Net Assets</b>		
<b>Invested in Capital Assets, Net of Related Debt</b>	<b>187,015</b>	<b>191,684</b>
<b>Restricted Net Assets</b>		
Debt Services and Capitalized Interest	23,540	22,733
Capital Renewal	17,000	17,000
Operating Fund	23,000	23,000
Marketing Fund	2,502	2,904
Senior Proceeds Account	2	2
Bond Issuance	-	48
Debt services reserve	7,001	-
Capitalized Bond Interest	-	1,643
<b>Unrestricted Net Assets</b>	<b>86,986</b>	<b>75,207</b>
<b>Total Net Assets</b>	<b>\$ 347,046</b>	<b>\$ 334,221</b>

*The accompanying notes are an integral part of these financial statements.*

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Annuitants' Health and Life Insurance**  
**Employer Contribution Trust Fund**

**Material Weaknesses and Significant Deficiencies in Internal Control Over Financial Reporting**

Nature of Comment	Type Of Comment in Fiscal Year 2008	Current Year Status
Plan Investments	Material Weakness	Resolved
Contribution and Premium Payments	Material Weakness	Resolved
Plan Governance	Significant Deficiency	Resolved
Participant Data and Retiree Folders	Significant Deficiency	Resolved
Accounting for Daily Activity	Significant Deficiency	Although daily detail activity is not summarized in general ledger format OFT performs daily review of financial information to insure its accuracy and that the developing of year-end financial statements is adequate.
Data in Actuary Report	Significant Deficiency	Resolved