District of Columbia
Office of the Inspector General

OIG Project No. 22-1-44AT

January 2023

457(b) DEFERRED COMPENSATION PLAN

Financial Statements
(With Independent Auditor's Report)
For Fiscal Years Ended September 30, 2022 and 2021

GUIDING PRINCIPLES

ACCOUNTABILITY ⁕ INTEGRITY ⁕ PROFESSIONALISM
TRANSPARENCY ⁕ CONTINUOUS IMPROVEMENT ⁕ EXCELLENCE

Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

Core Values

Accountability * Integrity * Professionalism
Transparency * Continuous Improvement * Excellence

WE ARE WASHINGTON DC

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

OIG

January 31, 2023

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

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

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *457(b) Deferred Compensation Plan Financial Statements (With Independent Auditor's Report) for Fiscal Years Ended September 30, 2022 and 2021* (OIG No. 22-1-44AT). McConnell Jones, LLP (MJ) submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2022. MJ is contractually required to review the work papers of F.S. Taylor & Associates, P.C. (FSTaylor), which audited the financial statements of the 457(b) Deferred Compensation Plan to independently determine whether the financial statements are fairly presented.

On December 21, 2022, FSTaylor issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. FSTaylor identified no material weaknesses in internal control over financial reporting. MJ concurred with FSTaylor's opinion and conclusions.

If you have questions about this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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F.S. TAYLOR & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

INDEPENDENT AUDITOR'S REPORT

Office of Finance and Treasury Office
of the Chief Financial Officer
Government of the District of Columbia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of fiduciary net position of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") as of September 30, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2022 and 2021, and the changes in the financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Plan'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 solely 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 effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

F. S. Taylor & Associates, P.C.

Washington, D.C.
December 21, 2022

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") for the fiscal years ended September 30, 2022 and 2021. This discussion and analysis should be read in conjunction with the financial statements and notes disclosures.

Under the District's Deferred Compensation Act of 1984, D.C. Law 5-118 and D.C. Code Section 47-3601, the Government of the District of Columbia (the "District") offers for eligible employees a qualified employee deferred compensation plan. The Plan enables eligible employees to make tax deferred contributions towards their retirement. The duties of the Plan's Administrator are performed jointly by the District's Office of the Chief Financial Officer, Office of Finance and Treasury and the D.C. Department of Human Resources.

Overview of Financial Statements

The Plan financial statements consist of two basic financial statements: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position. In addition to the basic financial statements are the notes to the financial statements.

- Statement of Fiduciary Net Position presents the Plan's assets, liabilities and net position restricted for participant benefits.

- Statement of Changes in Fiduciary Net Position presents the additions to and deductions from the Plan's net position.

- The notes to the financial statements provide a detailed discussion of key accounting policies and activities that occurred during the year. The notes provide additional information that is essential to a full understanding of the information provided in the financial statements.

2022 Financial Highlights

- Investments decreased by $128,161,086 or (10.60%)
- Receivables increased by $1,104,781 or 2.92%
- Net investment loss was $183,422,767, a decrease in net investment income of $384,405,357 or (191.26%)
- Benefits paid to participants increased by $6,803,052 or 10.71%

2021 Financial Highlights

- Investments increased by $255,441,323 or 26.79%
- Receivables increased by $484,514 or 1.30%
- Net investment income was $200,982,590, an increase of $153,488,394 or 323.17%
- Benefits paid to participants increased by $401,083 or 0.64%

Financial Analysis – Fiduciary Net Position

Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2022, 2021 and 2020

				2022-2021		2021-2020	
	2022	2021	2020	Variance	% Variance	Variance	% Variance
ASSETS							
Investments	$ 1,080,725,060	$ 1,208,886,146	$ 953,444,823	$ (128,161,086)	(10.60%)	$ 255,441,323	26.79%
Receivables	38,966,075	37,861,294	37,376,780	1,104,781	2.92%	484,514	1.30%
Total Assets	1,119,691,135	1,246,747,440	990,821,603	(127,056,306)	(10.25%)	255,925,837	25.83%
LIABILITIES							
Due to District Government	940,710	974,636	773,364	(33,926)	(3.48%)	201,272	26.03%
Total Liabilities	940,710	974,636	773,364	(33,926)	(3.48%)	201,272	26.03%
Fiduciary Net Position Available for Plan Benefits	$ 1,118,750,425	$ 1,245,772,804	$ 990,048,239	$ (127,022,379)	(10.20%)	$ 255,724,565	25.83%

Fiscal Year 2022

The Plan's investments decreased by $128,161,086 or (10.60%) from the prior fiscal year. The decrease is primarily due to market downturns during the fiscal year, partially offset by having a diversified investment portfolio and the excess of contributions over benefit payments. For fiscal year 2022, there was a net depreciation in the fair value of investments and an increase in dividends and interest income. Of the 29 managed investment funds 27 had a negative rate of return in fiscal year 2022. MissionSquare Broker accounts are funds held in "Self-Directed Brokerage Accounts."

As shown in **Table 2a - Investment by Fund with Rates of Returns as of September 30, 2022**, a significant portion of the Plan's investments remain in MissionSquare Plus Fund (24.7%), Vanguard Institutional Index Fund (11.6%), DCPLUS Large Cap Value Portfolio (8.5%) and the Ariel Institutional (6.2%). The MissionSquare Plus Fund invests primarily in a diversified portfolio of stable value insurance contracts and fixed income securities that back certain stable value investment contracts and seeks to provide preservation of principal and maximize current yield. The Vanguard Institutional Index Fund invests primarily in equity securities of U.S. companies in the Standard & Poor's 500 Index. The DCPLUS Large Cap Value Portfolio invests primarily in large capitalization common stocks and seeks growth in capital.

Receivables are mainly comprised of notes receivable from participants and contributions receivable. For the fiscal year 2022, receivables increased by $1,104,781 or 2.92% due to an increase in participant loans and contributions receivable.

The amount "Due to District Government" represents funds owed to the District by the Plan Administrator, which is used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator on a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

Table 2a - Investment by Fund with Rates of Returns as of September 30, 2022

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundaments Investors	$ 24,205,187	2.2	(18.01%)
American Funds New Perspective Fund	15,260,673	1.4	(26.83%)
Ariel Institutional	67,345,008	6.2	(24.82%)
Brown Capital Management Small	23,233,604	2.1	(35.51%)
DCPLUS Fixed Income Portfolio	34,687,343	3.2	(14.50%)
DCPLUS Large Cap Growth Portfolio	43,950,450	4.1	(27.04%)
DCPLUS Large Cap Value Portfolio	91,851,812	8.5	(7.70%)
DFA US Core Equity 1 Portfolio	10,155,409	0.9	(14.72%)
Harbor International Institutional	32,151,766	3.0	(27.34%)
MissionSquare Broker	13,161,466	1.3	NA**
MissionSquare Income Advantage	5,665,698	0.5	(17.28%)
MissionSquare Plus Fund	266,943,369	24.7	1.88%
Nuveen Real Estate Securities Fund	12,565,538	1.2	(15.75%)
PIMCO All Asset Fund Institutional Class	485,832	0.1	(14.90%)
PIMCO Real Return Collective Trust II	12,874,342	1.2	(11.49%)
Vanguard Federal Money Market	16,099,370	1.5	0.67%
Vanguard Institutional Index Fund	125,341,718	11.6	(15.49%)
Vanguard Small Cap Index Fund	26,565,009	2.5	(20.73%)
Vanguard Target Retirement 2020 Fund	11,729,785	1.1	(15.81%)
Vanguard Target Retirement 2025 Fund	26,603,193	2.5	(17.39%)
Vanguard Target Retirement 2030 Fund	32,648,054	3.0	(18.25%)
Vanguard Target Retirement 2035 Fund	35,473,685	3.3	(18.78%)
Vanguard Target Retirement 2040 Fund	31,168,479	2.9	(19.32%)
Vanguard Target Retirement 2045 Fund	34,896,414	3.2	(19.84%)
Vanguard Target Retirement 2050 Fund	34,975,792	3.2	(20.12%)
Vanguard Target Retirement 2055 Fund	23,580,521	2.2	(20.11%)
Vanguard Target Retirement 2060 Fund	9,975,455	0.9	(20.10%)
Vanguard Target Retirement 2065 Fund	3,209,249	0.3	(20.11%)
Vanguard Target Retirement Inc.	9,182,349	0.8	(14.20%)
Virtus Emerging Markets Fund Class 1	4,738,490	0.4	(26.00%)
	$ 1,080,725,060	100.0	

**Mission Square Broker (formerly Vantage Broker) are funds held in the "Self-Directed Brokerage Accounts."

Fiscal Year 2021

The Plan's investments increased by $255,441,323 or 26.79% over the prior fiscal year. The increase is primarily due to having a diversified investment portfolio to offset the fluctuations in the market and the excess of contributions over benefit payments. For fiscal year 2021, there was a net appreciation in the fair value of investments and an increase in dividends and interest income. Of the 30 managed investment funds 29 had a positive rate of return in fiscal year 2021. MissionSquare Broker accounts are funds held in "Self-Directed Brokerage Accounts".

As shown in **Table 2b - Investment by Fund with Rates of Returns as of September 30, 2021**, a significant portion of the Plan's investments remain in MissionSquare Plus Fund (21.9%), Vanguard Institutional Index Fund (11.9%), DCPLUS Large Cap Value Portfolio (8.5%), Ariel Institutional (8.0%) and the DCPLUS Large Cap Growth Portfolio (5.0%). The MissionSquare Plus Fund invests primarily in a diversified portfolio of stable value insurance contracts and fixed income securities that back certain stable value investment contracts and seeks to provide preservation of principal and maximize current yield. The Vanguard Institutional Index Fund invests primarily in equity securities of U.S. companies in the Standard & Poor's 500 Index. The DCPLUS Large Cap Value Portfolio invests primarily in large capitalization common stocks and seeks growth in capital.

Receivables are comprised of notes receivable from participants and contributions receivable. For the fiscal year 2021, receivables increased by $484,514 or 1.30% due to an increase in participant loans and contributions receivable.

The amount "Due to District Government" represents funds owed to the District by the Plan Administrator, which is used towards paying the Plan's administrative expenses. The Program Manager provides revenue sharing funds to the Plan Administrator on a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

Table 2b - Investment by Fund with Rates of Returns as of September 30, 2021

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundaments Investors	$ 43,092,373	3.6	28.84%
American Funds New Perspective Fund	19,404,711	1.6	29.71%
Ariel Institutional	97,205,164	8.0	66.12%
Brown Capital Management Small	38,266,565	3.2	13.98%
DCPLUS Fixed Income Portfolio	31,735,251	2.6	(0.64%)
DCPLUS Large Cap Growth Portfolio	60,631,409	5.0	29.69%
DCPLUS Large Cap Value Portfolio	102,353,564	8.5	40.63%
DFA US Core Equity 1 Portfolio	5,136,152	0.4	35.50%
Harbor International Institutional	35,239,513	2.9	28.87%
MissionSquare Broker	15,290,507	1.3	N/A**
MissionSquare Plus Fund	264,766,240	21.9	1.96%
MissionSquare Retirement Income Advantage	6,684,687	0.6	15.75%
Nuveen Real Estate Securities Fund	13,861,126	1.1	30.90%
PIMCO All Asset Fund Institutional Class	977,862	0.1	25.61%
PIMCO Real Return Collective Trust II	13,544,899	1.1	5.11%
Vanguard Federal Money Market	14,147,829	1.2	0.02%
Vanguard Institutional Index Fund	143,528,354	11.9	30.00%
Vanguard Small Cap Index Fund	30,514,368	2.5	44.07%
Vanguard Target Retirement 2015 Fund	6,542,660	0.5	9.61%
Vanguard Target Retirement 2020 Fund	14,698,493	1.2	13.41%
Vanguard Target Retirement 2025 Fund	31,342,087	2.6	16.05%
Vanguard Target Retirement 2030 Fund	34,970,994	2.9	18.35%
Vanguard Target Retirement 2035 Fund	38,820,839	3.2	20.73%
Vanguard Target Retirement 2040 Fund	32,260,306	2.7	23.08%
Vanguard Target Retirement 2045 Fund	36,544,958	3.0	25.48%
Vanguard Target Retirement 2050 Fund	35,022,235	2.9	25.74%
Vanguard Target Retirement 2055 Fund	21,136,155	1.7	25.72%
Vanguard Target Retirement 2060 Fund	8,346,681	0.7	25.71%
Vanguard Target Retirement 2065 Fund	2,210,547	0.2	25.73%
Vanguard Target Retirement Inc.	5,835,857	0.5	8.49%
Virtus Emerging Markets Fund Class 1	4,773,760	0.4	8.93%
	$ 1,208,886,146	100.0	

**Mission Square Broker (formerly Vantage Broker) are funds held in the "Self-Directed Brokerage Accounts."

Financial Analysis – Changes in Fiduciary Net Position

Table 3 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended September 30, 2022, 2021 and 2020

				2022-2021		2021-2020	
	2022	2021	2020	Variance	%Variance	Variance	%Variance
ADDITIONS							
Employee Contributions	$ 126,565,807	$ 117,933,196	$ 100,008,009	$ 8,632,611	7.32%	$ 17,925,187	17.92%
Net Investment (Loss) Income	(183,422,767)	200,982,590	47,494,196	(384,405,357)	(191.26%)	153,488,394	323.17%
Interest Income on Notes Receivable from Participants	1,169,991	1,279,750	1,384,165	(109,759)	(8.58%)	(104,415)	(7.54%)
Total (Reductions) Additions	(55,686,969)	320,195,536	148,886,370	(375,882,505)	(117.63%)	171,309,166	115.06%
DEDUCTIONS							
Benefits Paid to Participants	70,327,074	63,524,022	63,122,939	6,803,052	10.71%	401,083	0.64%
Administrative Expenses	458,302	449,256	368,361	9,046	2.01%	80,895	21.96%
Loan Fees	550,034	497,693	413,891	52,342	10.52%	83,802	20.25%
Total Deductions	71,335,410	64,470,971	63,905,191	6,864,439	10.65%	565,780	0.89%
Change in Net Position	(127,022,379)	255,724,565	84,981,179	(382,746,944)	(149.67%)	170,743,386	200.92%
Fiduciary Net Position Available for Plan Benefit, Beginning of Year	1,245,772,804	990,048,239	905,067,060	255,724,565	25.83%	84,981,179	9.39%
Fiduciary Net Position Available for Plan Benefit, End of Year	$1,118,750,425	$1,245,772,804	$ 990,048,239	$ (127,022,379)	(10.20%)	$ 255,724,565	25.83%

Fiscal Year 2022

Employee contributions increased by $8,632,611 or 7.32% compared to prior fiscal year. There was an overall increase in the average number of Plan participants making contributions to the Plan. The number of active Plan participants who made contributions increased from 20,595 in fiscal year 2021 to 22,509 in fiscal year 2022. The average monthly contributions increased from $475.01 in fiscal year 2021 to $492.91 in fiscal year 2022.

In fiscal year 2022, the Plan had a net investment loss of $183,422,767 compared to net investment income of $200,982,590 in fiscal year 2021. The net investment loss was primarily due to unfavorable market conditions in fiscal year 2022 compared with 2021. Overall, 27 of the 29 managed funds in the Plan reflected negative rates of return. MissionSquare Broker accounts are funds held in the "Self-Directed Brokerage Accounts". The Plan's investments collectively had a weighted average negative rate of return of (18.01%) in fiscal year 2022 compared to a positive 24.69% in fiscal year 2021.

Benefits paid to participants increased by $6,803,052 or 10.71%. The increase was due to more participants requesting payouts in fiscal year 2022 compared to fiscal year 2021.

The administrative expenses for fiscal year 2022 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or $458,302.

Fiscal Year 2021

Employee contributions increased by $17,925,187 or 17.92% compared to prior fiscal year. There was an overall increase in the average number of Plan participants making contributions to the Plan. The number of active Plan participants who made contributions increased from 19,386 in fiscal year 2020 to 20,595 in fiscal year 2021. The average monthly contributions increased from $398.99 in fiscal year 2020 to $475.01 in fiscal year 2021.

In fiscal year 2021, the Plan's net investment income was $200,982,590 compared to $47,494,196 in fiscal year 2020. The increase in net investment income was primarily due to higher fund performance in fiscal year 2021 compared with 2020. Overall, 29 of the 30 managed funds in the Plan reflected positive rates of return. MissionSquare Broker accounts are funds held in the "Self-Directed Brokerage Accounts". The Plan's investments collectively had a weighted average rate of return of 24.69% in fiscal year 2021 compared to 6.84% in fiscal year 2020.

Benefits paid to participants increased by $401,083 or 0.64%. The increase was due to more participants requesting payouts in fiscal year 2021 compared to fiscal year 2020.

The administrative expenses for fiscal year 2021 were expenses incurred by the Program Manager and Plan Administrator for operations of the Plan. The Program Manager receives an administrative fee of 0.22% (22.0 basis points) of the Plan's daily asset value and reimburses the Plan Administrator at 0.055% (5.5 basis points) of the Plan's daily asset value or $449,256.

Contact Information

The above discussion and analysis are presented to provide additional information regarding the activities of the Plan and also to meet the disclosure requirements of the Government Accounting Standards Board. If you have any questions about the report or need additional financial information, contact Rodney Dickerson, Program Director Government of the District of Columbia, Office of Finance and Treasury, 1101 4th Street, SW, 8th floor, Washington, DC 20024, (email: Rodney.Dickerson@dc.gov; phone: (202)727-0107.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Investments:		
Registered Investment Companies	$ 800,620,225	$ 928,829,402
Stable Value Fund	266,943,369	264,766,237
Self-Directed Brokerage Accounts	13,161,466	15,290,507
Total Investments	1,080,725,060	1,208,886,146
Receivables:		
Due from Program Manager	35,794	39,113
Notes Receivable from Participants	33,887,120	33,536,745
Participant Contributions	5,043,161	4,285,436
Total Receivables	38,966,075	37,861,294
Total Assets	1,119,691,135	1,246,747,440
LIABILITIES		
Due to District Government	940,710	974,636
Total Liabilities	940,710	974,636
Fiduciary Net Position Available for Plan Benefits	$ 1,118,750,425	$ 1,245,772,804

The notes to the financial statements are an integral part of this statement.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
457(b) DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	**2021**
ADDITIONS		
Employee Contributions	$ 126,565,807	$ 117,933,196
Investment Income:		
(Depreciation) Appreciation in Fair Value of Investments	(203,654,024)	191,466,002
Dividends and Interest Income	26,150,862	15,222,414
Less: Investment Management Expenses	(4,254,182)	(4,196,726)
Program Manager Fees	(1,665,423)	(1,509,100)
Net Investment (Loss) Income	(183,422,767)	200,982,590
Interest Income on Notes Receivable from Participants	1,169,991	1,279,750
Total (Reductions) Additions	(55,686,969)	320,195,536
DEDUCTIONS		
Benefits Paid to Participants	70,327,074	63,524,022
Administrative Expenses	458,302	449,256
Loan Fees	550,034	497,693
Total Deductions	71,335,410	64,470,971
Change in Net Position	(127,022,379)	255,724,565
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,245,772,804	990,048,239
Fiduciary Net Position Available for Plan Benefits, End of Year	$ 1,118,750,425	$ 1,245,772,804

The notes to the financial statements are an integral part of this statement.

NOTE 1 - DESCRIPTION OF PLAN

The Government of the District of Columbia (the "District") offers for eligible employees a qualified employee Deferred Compensation Plan ("Plan") that was established under the District's 457(b) Deferred Compensation Act of 1984, D.C. Law 5-118 and D.C. Code Section 47-3601. The Plan enables eligible employees to make tax deferred contributions towards their retirement. The Plan's assets are held in trust by the District for the exclusive benefit of Plan members and their beneficiaries. All District employees of an agency under the personnel authority of the District's Mayor, a subordinate agency as defined in the Comprehensive Merit Personnel Act of 1978 and an agency not under the personnel authority of the Mayor or an independent agency, but approved by the Mayor, are eligible to participate in the Plan. There are no age and length of service requirements.

Effective January 1, 2009, the blind licensees of the District's Randolph Sheppard Vending Facility Program became eligible to participate in the Plan. The blind licensees under the Randolph Sheppard Vending Facility Program shall not become an eligible individual until the later of the date (i) such as licensee has been a participant in the program for 13 months or (ii) a year and one month after their licensure date.

Effective October 1, 2017, the District Comprehensive Merit Personnel Act of 1978, Section 2609(b), made by the Fiscal Year 2018 Budget Support Act of 2017 was amended for employees of the Council, the Office of the District Auditor and the Office of Advisory Neighborhood Commissions (collectively, "Agencies"). It provided for mandatory matching contributions for employees of those Agencies participating in the Deferred Compensation Plan ("Plan") who make a pre-tax contribution or Roth contribution under the Plan for each pay period in an amount equal to one hundred percent (100%) of such employee's Pre-Tax contributions and Roth contributions made during each such pay period, but not in excess of three percent (3%) of the employee's base salary during such pay period. Matching contributions are made in the Government of the District of Columbia 401(a) Defined Contribution Plan.

Effective July 7, 2019, the District amended the Deferred Compensation Plan to provide automatic enrollment pursuant to the Deferred Compensation Program Enrollment Amendment Act of 2018. Automatic enrollment means any eligible employee hired on or after July 7, 2019 and any eligible employee rehired on or after July 7, 2019, after having a break in service of three (3) consecutive workdays or more shall automatically be enrolled in the Deferred Compensation Plan. Contributions shall be no less than 5% of their pre-tax annual base salary upon hire until such automatically enrolled participant makes an affirmative election to defer a different amount or percentage amount (including zero).

NOTE 1 - DESCRIPTION OF PLAN (Continued)

The District's Office the Chief Financial Officer, Office of Finance and Treasury ("OCFO-OFT") and the District of Columbia Department of Human Resources are joint Plan Administrators. They are jointly responsible for adopting the Plan's administration rules and regulations and investment policies and overseeing the duties of the Trustee of the Plan. The Program Manager is responsible for the Plan's record keeping, marketing and enrollment efforts. In 2015, the OCFO-OFT contracted with MissionSquare (formerly ICMA Retirement Corporation (ICMA-RC)) to be the Plan's Program Manager. The Program Manager maintains an account for each participant that is adjusted for contributions, distributions and investment earnings and losses. Participants can contribute to the Plan up to $20,500 and $19,500 for 2022 and 2021, respectively, or 100% of the participants' includible compensation. Participants who are at least age 50 can contribute up to $27,000 and $26,000 for 2022 and 2021, respectively, to the Plan. Participants who qualify for pre-retirement catch-up contributions can contribute up to $39,000 for 2022 and 2021 to the Plan. Participants are vested immediately.

Generally, at the date beginning April 1 of the calendar year following the later of: (1) the calendar year in which the participant reaches age 72 (age 70 ½ for individuals attaining that age before 2020), or (2) the calendar year in which the participant retires, the participant must annually take a required minimum distribution (RMD).

Loans

Effective October 1, 2011, participants may borrow from their accounts a minimum of $1,000 up to a maximum equal to the lesser of (1) $50,000 reduced by the excess (if any) of the highest outstanding balances of loans from the Plan to the participant during the one year period ending on the day before the date on which such loan is made, over the outstanding balance of loans from the Plan to the participant on the date on which such loan was made, or (2) 50% of the present value of the non-refundable accrued benefit of the participant under the Plan.

The loans are secured by the balance in the participant's account and must be repaid over a maximum period of 60 months for general purposes and 180 months for a home purchase. Loans bear interest at a fixed rate equal to the U.S. prime rate for general purpose loans and FHA/VA rate on home purchase loans. The interest rates on general purpose loans were 5.50% and 3.25% at September 30, 2022 and 2021, respectively. The interest rates on home purchase loans were 5.625% and 2.750% at September 2022 and 2021, respectively.

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Plan Membership
At September 30, 2022 and 2021, the Plan's membership consisted of the following:

	2022	2021
Active Members	22,509	20,595
Inactive Members	9,338	7,958
	31,847	28,553

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), which requires two basic financial statements: statement of fiduciary net position and statement of changes in fiduciary net position. For financial reporting purposes, the Plan is considered a pension trust fund.

Basis of Accounting
The financial statements of the Plan are prepared under the accrual basis of accounting. Employee contributions are recognized by the Plan at the time compensation is earned by Plan members and the payments become due from the District government. Investment income is recognized when earned. Deductions are recognized when due and payable in accordance with the terms of the Plan.

Investment Valuation
At September 30, 2022 and 2021, the Plan's investments were in mutual funds, a stable value fund and brokerage accounts. Shares in mutual funds and the brokerage accounts are reported at fair value based on quoted market prices, which represent the net asset value of shares held by the Plan at fiscal year-end. Investments in the stable value fund are presented at contract value, which approximates fair value. Contributions of participants who elect this investment option are combined and held in trust. The Plan has an undivided interest in the trust and its ownership is represented by its proportionate dollar interest.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Plan categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

The valuation technique uses a three-level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

> *Level 1 Inputs*: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.
>
> *Level 2 Inputs*: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
>
> *Level 3 Inputs*: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Notes Receivable from Participants

Loans to participants are recorded at principal less repayments and plus accrued interest. The loan balance reflected in the Statement of Fiduciary Net Position is also adjusted for defaulted loans. If a payment is missed for any reason, the loan is considered delinquent and in arrears. All missed payments should be made by the end of the next calendar quarter. A loan is considered in default and taxed as a "deemed distribution" if missed payments are not made during the applicable grace period. Even after a loan is deemed distributed, loan repayments will continue to be deducted from available compensation until the earlier of when the loan is paid in full, or the maturity date is reached. Employees who leave District employment may continue to repay the loan by making alternative payment arrangements. As of September 30, 2022 and 2021, the total of all defaulted loans was $2,480,980 and $2,049,573, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Contributions
Employee contributions are recognized as revenue at the time compensation is earned by Plan members on a specified payroll pay date or when received from other eligible plans.

Payment of Benefits
Benefit payments are recorded as deductions when due for payment.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status
The Plan is an eligible employee deferred compensation plan under Section 457(b) of the Internal Revenue Code.

NOTE 3 - INVESTMENTS

Investments of the Plan at September 30, 2022 and 2021 consist of the following:

	2022	2021
Stock and Bond Funds	$ 800,620,225	$ 928,829,402
Stable Value Fund	266,943,369	264,766,237
Self-Directed Brokerage Account	13,161,466	15,290,507
Total Investments	$ 1,080,725,060	$ 1,208,886,146

NOTE 3 – INVESTMENTS (Continued)

The Plan's investments in Registered Investment Companies are stated at fair market value. The stable value fund is valued at contract value, which approximates fair value. The contract value is guaranteed through a related contract with a separate provider. The credited interest rates are reset periodically according to terms set forth in the contract and are actuarially determined.

The Plan's investments are subject to the following risks common to investments:

- *Custodial credit risk* is the risk that the Plan will not be able to recover the value of its investments in the event of a failure by the counterparty to a transaction. Investments are exposed if they are uninsured, are not registered in the name of the Plan and are held by either (a) the counterparty or (b) the counterparty's trust department or agent, but not in the Plan's name. The Plan's investments for fiscal years 2022 and 2021 are partially insured and registered in the Plan's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual and commingled trust funds which are not generally exposed to custodial credit risks. The Plan Sponsor performs periodic qualitative assessments of the investment managers and investment strategy to minimize custodial credit risk.

- *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan manages its exposure to declines in fair values by not offering investments that have excessive average maturities. The following discloses the weighted average maturity for certain mutual funds that include investments in bonds at September 30, 2022.

Investment	Average Maturity
MissionSquare PLUS Fund	3.75 years
DCPLUS Fixed Income Portfolio	8.70 years
PIMCO Real Return Collective Trust II	8.13 years

- *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 Plan mitigates this risk by limiting its investments in any one country to no more than the greater of either 25% of the equity portion of the investment account or by the country's weight in the Europe, Australia and Far East (EAFE) benchmark. In addition, a minimum of eight countries must be represented in each investment account. As a result, the Plan's currency denomination varies.

NOTE 3 - INVESTMENTS (Continued)

At September 30, 2022 and 2021, the investment with the largest foreign currency risk is the Harbor International Fund. The major currency denomination for the Harbor International Fund is the Yen.

- *Credit risk* is the risk that an issuer to an investment will not fulfill its obligations. The Plan does not invest in securities that have an overall quality less than BBB as rated by Moody's or S&P Global Ratings. There were 14 out of 30 investments that had credit ratings in fiscal year 2022 and 15 out of 30 that had a credit rating in fiscal year 2021. At September 30, 2022 and 2021 those investments and the related credit ratings were as follows:

September 30, 2022

Fund	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/A/BBB/AA
MissionSquare Plus Fund	AAA/AA/A/BBB/BB
PIMCO Real Return Collective Trust II	AAA/AA//BBB
Vanguard Target Retirement Income	AAA/BBB/A/AA
Vanguard Target Retirement 2020	AAA/BBB/A/AA
Vanguard Target Retirement 2025	AAA/BBB/A/AA
Vanguard Target Retirement 2030	AAA/BBB/A/AA
Vanguard Target Retirement 2035	AAA/BBB/A/AA
Vanguard Target Retirement 2040	AAA/BBB/A/AA
Vanguard Target Retirement 2045	AAA/BBB/A/AA
Vanguard Target Retirement 2050	AAA/BBB/A/AA
Vanguard Target Retirement 2055	AAA/BBB/A/AA
Vanguard Target Retirement 2060	AAA/BBB/A/AA
Vanguard Target Retirement 2065	AAA/BBB/A/AA

NOTE 3 - INVESTMENTS (Continued)

September 30, 2021

Fund	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/A/BBB/AA
MissionSquare Plus Fund	AAA/AA/A/BBB/BB
PIMCO Real Return Collective Trust II	AAA/AA/A/BBB
Vanguard Target Retirement Income	AAA/BBB/A/AA
Vanguard Target Retirement 2015	AAA/BBB/A/AA
Vanguard Target Retirement 2020	AAA/BBB/A/AA
Vanguard Target Retirement 2025	AAA/BBB/A/AA
Vanguard Target Retirement 2030	AAA/BBB/A/AA
Vanguard Target Retirement 2035	AAA/BBB/A/AA
Vanguard Target Retirement 2040	AAA/BBB/A/AA
Vanguard Target Retirement 2045	AAA/BBB/A/AA
Vanguard Target Retirement 2050	AAA/BBB/A/AA
Vanguard Target Retirement 2055	AAA/BBB/A/AA
Vanguard Target Retirement 2060	AAA/BBB/A/AA
Vanguard Target Retirement 2065	AAA/BBB/A/AA

Investment concentrations - In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans as amended by Government Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures – An amendment of GASB Statement No. 3*, the Plan is required to disclose the identification, by amount and issuer, of investments in any one issuer that represent 5% or more of the Plan's net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement.

The funds that meet the 5% or more disclosure criteria at September 30, 2022, discussed above are: MissionSquare Plus Fund (24.7%), Vanguard Institutional Index Fund (11.6%), DCPLUS Large Cap Value Portfolio (8.5%) and the Ariel Institutional (6.2%).

The funds that meet the 5% or more disclosure criteria at September 30, 2021, discussed above are: MissionSquare Plus Fund (21.9%), Vanguard Institutional Index Fund (11.9%), DCPLUS Large Cap Value Portfolio (8.5%), Ariel Institutional (8.0%) and the DCPLUS Large Cap Growth Portfolio (5.0%).

NOTE 4 - FAIR VALUE MEASUREMENTS

The Plan categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following fair value measurement as of September 30, 2022:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Equities				
Materials	$ 29,302,761	$ 29,302,761	$ -	$ -
Consumer and Cyclical and Defensive	130,475,106	130,475,106	-	-
Financial Services	105,084,734	105,084,734	-	-
Real Estate	40,732,284	40,732,284	-	-
Communication Services	56,155,476	56,155,476	-	-
Energy	37,109,061	37,109,061	-	-
Industrials	77,003,153	77,003,153	-	-
Technology	127,143,258	127,143,258	-	-
Healthcare	101,263,738	101,263,738	-	-
Utilities	26,811,100	26,811,100	-	-
Debt securities				
Government	23,770,643	23,770,643	-	-
Corporate	9,278,864	9,278,864	-	-
Securitized	10,399,265	10,399,265	-	-
Municipal	1,977,179	1,977,179	-	-
Other	866,323	866,323	-	-
Other funds	36,408,745	36,408,745	-	-
Total investments measured at fair value	813,781,690	$ 813,781,690	$ -	$ -
Investments measured at contract value:				
Stable Value Fund	266,943,370			
Total Investments	$ 1,080,725,060			

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Plan has the following fair value measurement as of September 30, 2021:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Equities				
Materials	$ 32,444,839	$ 32,444,839	$ -	$ -
Consumer and Cyclical and Defensive	140,477,456	140,477,456	-	-
Financial Services	130,684,438	130,684,438	-	-
Real Estate	46,831,151	46,831,151	-	-
Communication Services	88,686,434	88,686,434	-	-
Energy	32,263,643	32,263,643	-	-
Industrials	91,472,763	91,472,763	-	-
Technology	163,998,931	163,998,931	-	-
Healthcare	110,158,599	110,158,599	-	-
Utilities	24,720,620	24,720,620	-	-
Debt securities				
Government	24,430,202	24,430,202	-	-
Corporate	8,596,615	8,596,615	-	-
Securitized	8,838,267	8,838,267	-	-
Municipal	1,634,365	1,634,365	-	-
Other	1,089,910	1,089,910	-	-
Other funds	37,791,675	37,791,675	-	-
Total investments measured at fair value	944,119,908	$ 944,119,908	$ -	$ -
Investments measured at contract value:				
Stable Value Fund	264,766,237			
Total Investments	$ 1,208,886,146			

NOTE 5 - LIFE INSURANCE POLICIES

Prior to fiscal year 2000, the Plan offered participants an investment option to purchase life insurance policies underwritten by life insurance companies. Although the life insurance policies are no longer available to participants as an investment option, participants with existing life insurance policies are permitted to continue their contribution to those policies. As of September 30, 2022 and 2021, the contract values of participants' life insurance policies have been excluded from Plan's assets because the life insurance companies assume the obligations to pay the benefits under the policies. TransAmerica Life and Shenandoah Life Insurance Companies underwrite existing policies. Participants' life insurance contract values for the years ended September 30, 2022 and 2021, totaled $3,080,438 and $3,384,970, respectively.

NOTE 6 - PLAN FEES

Fees are charged to participants' accounts for investment management services and administrative expenses of the Plan. The investment management fees vary by investment fund and are calculated based on the fund's daily asset value. For the years ended September 30, 2022 and 2021, investment management fees totaled $4,254,182 and $4,196,726, respectively. The Program Manager receives a net administrative fee of 0.165% (16.5 basis points) of the Plan's daily asset value. For the years ended September 30, 2022 and 2021, Program Manager administrative fees totaled $1,665,423 and $1,509,100, respectively.

NOTE 7 - DUE TO DISTRICT GOVERNMENT

Per the contract agreement, the Program Manager annually reimburses the Plan Administrator 5.5 basis points. The reimbursement is accumulated in an administrative reimbursement account held by the Program Manager and is used annually by the District to pay for direct administrative expenses incurred and for contributions toward salaries expenses incurred by the District and the Plan Administrator. Additions to and deductions from the administrative reimbursement account are not Plan transactions reflected in the Statements of Changes in Fiduciary Net Position.

After recognizing the basis point reimbursement, interest earnings and payments from the administrative reimbursement account, the balance in the administrative reimbursement account as of September 30, 2022 and 2021 was $940,710 and $974,636, respectively. This is recorded in the Statements of Fiduciary Net Position as "Due to District Government". The amount owed from the Program Manager as of September 30, 2022 and 2021 was $35,794 and $39,113, respectively.

NOTE 8 - ADMINISTRATIVE EXPENSES

The Plan does not directly incur administrative expenses. Administrative expenses are incurred by the Plan Administrator and the Program Manager for the operation of the Plan.

The amount recorded as administrative expenses in the Statement of Changes in Fiduciary Net Position of $458,302 and $449,256 for fiscal years 2022 and 2021, respectively, represents the Program Manager's investment expenses allocation towards administrative expenses.

The administrative expenses incurred by the Plan Administrator and reimbursed from the administrative reimbursement account (see Note 7) for the years ended September 30, 2022 and 2021 totaled $337,206 and $220,381, respectively and were as follows:

	2022	2021
Audit and Compilation Services	$ 108,680	$ 126,890
Investment Consulting Services	19,906	31,044
Other Expenses	208,620	62,447
	$ 337,206	$ 220,381

For fiscal years 2022 and 2021, the Plan assessed $75 for each new participant loan processed and $50 per participant for existing loans. Loan fees totaled $550,034 and $497,693 in fiscal years 2022 and 2021, respectively.

NOTE 9 - TERMINATED PARTICIPANTS

As of September 30, 2022 and 2021, the Plan had 9,338 and 7,957 terminated participants, respectively, who have account balances in the Plan. The participants are no longer able to contribute to the Plan, but their account balances are adjusted for fees and investment earnings. The value of the account balances as of September 30, 2022 and 2021 totaled $316,599,142 and $235,964,183, respectively.

NOTE 10 - PLAN TERMINATION

The District may amend or terminate this Plan provided that such amendment or termination shall not impair the rights of a vested participant or beneficiary to receive any contributions and income earned thereon, allocated to his or her active or inactive account, as the case may be, prior to the date of the termination or amendment of the Plan.

NOTE 11 - RISKS AND UNCERTAINTIES

The Plan invests in investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible, that changes in the values of the investment securities will occur in the near term and, that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net position.

NOTE 12 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through December 21, 2022 the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2022, but prior to December 21, 2022, that provided additional evidence about conditions that existed September 30, 2022, have been recognized in the financial statements for the year ended September 30, 2022. Events or transactions that provided evidence about conditions that did not exist as of September 30, 2022 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended September 30, 2022.

F.S. TAYLOR & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S 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*

Office of Finance and Treasury Office of
the Chief Financial Officer
Government of the District of Columbia

We have audited, in accordance with the 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, the financial statements of the Government of the District of Columbia 457(b) Deferred Compensation Plan (the "Plan") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* 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 and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

F. S. Taylor & Associates, P.C.

Washington, D.C.
December 21, 2022

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(202) 724-TIPS (8477) and (800) 521-1639

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