

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 23-1-21AT

January 31, 2024



Government of the District of Columbia 401(a) Defined Contribution Plan

Financial Statements with
Independent Auditor's Report Years
Ended September 30, 2023 and 2022

GUIDING PRINCIPLES

ACCOUNTABILITY * INTEGRITY * PROFESSIONALISM

TRANSPARENCY * CONTINUOUS IMPROVEMENT * EXCELLENCE



OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government 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.

OUR 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!

OUR GUIDING PRINCIPLES

- Accountability
- Continuous Improvement
- Excellence
- Integrity
- Professionalism
- Transparency





DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

January 31, 2024

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

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue NW, Suite 504
Washington, DC 20004

Subject: **Government of the District of Columbia 401(a) Defined Contribution Plan
23-1-21AT**

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report *Government of the District of Columbia 401(a) Defined Contribution Plan Financial Statements with Independent Auditor's Report Years Ended September 30, 2023 and 2022* (OIG No. 23-1-21AT). McConnell Jones, LLP (MJ) submitted this 401(a) Defined Contribution Plan (Plan) report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2023. MJ is contractually required to review the work papers of F.S. Taylor & Associates, P.C. (FSTaylor), which audited the financial statements of the Plan to independently determine whether the financial statements are fairly presented.

On January 9, 2024, 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 Eileen Shanklin-Andrus, Acting 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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**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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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 401(a) Defined Contribution Plan (the "Plan") as of September 30, 2023, and 2022, 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 fiduciary net position of the Plan as of September 30, 2023 and 2022, and the changes in the fiduciary net position 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 audit. 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 January 9, 2024, 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.
January 9, 2024

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

The following presents our discussion and analysis of the financial performance of the Government of District of Columbia 401(a) Defined Contribution Plan (the “Plan”) for the fiscal years ended September 30, 2023 and 2022. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

The Plan was established under Government of the District of Columbia (the “District” or D.C.) Code 1-626.05(3). All District employees who were first hired on or after October 1, 1987 and have been employed a minimum of one-year creditable service are eligible to participate in the Plan. The District contributes 5% of eligible employees’ base salaries, except for detention officers, who receive a 5.5% contribution. Employees do not make any contributions to the Plan. The duties of the Plan 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’s 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 available 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.

2023 Financial Highlights

- Investments increased by \$188,505,201 or 15.19%
- Net investment income was \$165,585,241, an increase in net investment income of \$428,586,965 or 162.96%
- District contributions increased by \$7,463,473 or 8.91%
- Benefits paid to participants increased by \$6,415,324 or 10.43%

2022 Financial Highlights

- Investments decreased by \$240,771,010 or (16.25%)
- Net investment loss was \$263,001,724, a decrease in net investment income of \$493,227,574 or (214.24%)
- District contributions increased by \$1,907,925 or 2.33%
- Benefits paid to participants increased by \$11,104,749 or 22.04%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

Financial Analysis – Fiduciary Net Position

Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2023, 2022 and 2021

ASSETS	2023	2022	2021	2023-2022		2022-2021	
				\$ Variance	%Variance	\$ Variance	% Variance
Investments	\$ 1,429,724,320	\$ 1,241,219,119	\$ 1,481,990,129	\$ 188,505,201	15.19%	\$ (240,771,010)	(16.25%)
Employer Contributions Receivable	3,519,754	3,567,061	5,063,259	(47,307)	(1.32%)	(1,496,198)	(29.55%)
Due from Program Manager	70,030	64,253	76,294	5,777	8.99%	(12,041)	(15.78%)
Total Assets	1,433,314,104	1,244,850,433	1,487,129,682	188,463,671	15.14%	(242,279,249)	(16.29%)
LIABILITIES							
Due to District Government	2,949,804	2,386,484	2,520,668	563,320	23.60%	(134,184)	(5.32%)
Total Liabilities	2,949,804	2,386,484	2,520,668	563,320	23.60%	(134,184)	(5.32%)
Fiduciary Net Position Available for Plan Benefits	\$ 1,430,364,300	\$ 1,242,463,949	\$ 1,484,609,014	\$ 187,900,351	15.12%	\$ (242,145,065)	(16.31%)

Fiscal Year 2023

In fiscal year 2023, the Plan’s investments increased by \$188,505,201 or 15.19%, compared to the prior fiscal year balance; in addition, there was an increase in net investment income of \$428,586,965. Market conditions were much more favorable during fiscal year 2023 compared to 2022 and as a result 28 out of 29 investment funds had positive rates of return.

As shown in **Table 2a - Investment by Fund with Rates of Return as of September 30, 2023**, a significant portion of the Plan’s investments were in Vanguard Target Retirement 2035 (14.6%), Vanguard Target Retirement 2030 Fund (13.5%), Vanguard Target Retirement 2040 Fund (11.0%), Vanguard Target Retirement 2025 Fund (10.4%), Vanguard Target Retirement 2045 Fund (9.6%), MissionSquare PLUS Fund (6.7%), Vanguard Target Retirement 2050 Fund (6.4%) and Vanguard Target Retirement 2020 (6.0%). The Vanguard Target Date funds are designed for investors planning to retire at set dates and seek to provide growth of capital and current income consistent with its current target allocation by investing in a gradually more conservative mix of Vanguard funds.

Employer contribution receivables decreased by \$47,307 or 1.32% from the prior fiscal year due to the timing of payroll contribution collections during the year.

The amount “Due to District Government” represents funds owed to the Plan Administrator to be 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. The amount also includes payments owed by the District for contributions made on behalf of erroneously enrolled participants.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

Table 2a - Investment by Fund with 1-Year Rates of Returns as of September 30, 2023

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	\$ 6,818,836	0.5	23.49%
American Funds New Perspective Fund	9,550,984	0.7	21.70%
Ariel Institutional	10,305,700	0.7	14.91%
Brown Capital Management Small	9,098,040	0.6	6.45%
DCPLUS Fixed Income Portfolio	16,011,948	1.1	0.40%
DCPLUS Large Cap Growth Portfolio	20,820,986	1.5	24.66%
DCPLUS Large Cap Value Portfolio	9,176,885	0.6	12.09%
DFA US Core Equity 1 Portfolio	9,040,355	0.6	20.53%
Harbor International Institutional	11,641,472	0.8	26.55%
MissionSquare PLUS Fund	96,367,673	6.7	2.65%
MissionSquare Retirement Income Advantage	5,324,573	0.4	11.73%
Nuveen Real Estate Securities Fund	4,585,335	0.3	0.53%
PIMCO All Asset Fund Institutional Class	526,275	0.0	9.09%
PIMCO Real Return Collective Trust II	5,840,019	0.4	1.43%
Vanguard Federal Money Market	10,042,915	0.7	4.61%
Vanguard Institutional Index Fund	59,563,917	4.2	21.60%
Vanguard Small Cap Index Fund	11,598,800	0.8	12.54%
Vanguard Target Retirement 2020 Fund	84,506,674	6.0	9.41%
Vanguard Target Retirement 2025 Fund	148,841,082	10.4	11.59%
Vanguard Target Retirement 2030 Fund	193,262,355	13.5	13.15%
Vanguard Target Retirement 2035 Fund	207,742,028	14.6	14.68%
Vanguard Target Retirement 2040 Fund	157,821,829	11.0	16.21%
Vanguard Target Retirement 2045 Fund	136,675,303	9.6	17.74%
Vanguard Target Retirement 2050 Fund	91,672,307	6.4	18.54%
Vanguard Target Retirement 2055 Fund	49,383,498	3.5	18.54%
Vanguard Target Retirement 2060 Fund	11,769,768	0.8	18.56%
Vanguard Target Retirement 2065 Fund	2,489,158	0.2	18.57%
Vanguard Target Retirement Inc.	46,345,766	3.2	7.07%
Virtus Emerging Markets Fund Class 1	2,899,839	0.2	(0.13%)
	<u>\$ 1,429,724,320</u>	<u>100.0</u>	

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

Fiscal Year 2022

In fiscal year 2022, the Plan’s investments decreased by \$240,771,010 or 16.25%, compared to the prior fiscal year balance; in addition, there was a decrease in net investment income of \$493,227,574. Market conditions were much less favorable during fiscal year 2022 compared to 2021 and as a result 27 out of 29 investment funds had negative rates of return.

As shown in **Table 2b - Investment by Fund with Rates of Return as of September 30, 2022**, a significant portion of the Plan’s investments were in Vanguard Target Retirement 2035 (14.2%), Vanguard Target Retirement 2030 Fund (13.6%), Vanguard Target Retirement 2025 Fund (11.0%), Vanguard Target Retirement 2040 Fund (10.6%), Vanguard Target Retirement 2045 Fund (8.9%), MissionSquare PLUS Fund (7.4%), Vanguard Target Retirement 2020 Fund (6.6%) and Vanguard Target Retirement 2050 (5.8%). The Vanguard Target Date funds are designed for investors planning to retire at set dates and seek to provide growth of capital and current income consistent with its current target allocation by investing in a gradually more conservative mix of Vanguard funds.

Employer contribution receivables decreased by \$1,496,198 or 29.55% from the prior fiscal year due to a decrease in the amount due from the District at the end of the year.

The amount “Due to District Government” represents funds owed to the Plan Administrator to be 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. The amount also includes payments owed the District for contributions made on behalf of erroneously enrolled participants.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

Table 2b - Investment by Fund with 1-Year Rates of Return as of September 30, 2022

	<u>Investment Value</u>	<u>Percent of Total Assets</u>	<u>Rate of Return %</u>
American Funds Fundamental Investors	\$ 5,720,479	0.5	(18.01)
American Funds New Perspective Fund	8,129,770	0.7	(26.83)
Ariel Institutional	10,085,461	0.8	(24.82)
Brown Capital Management Small	9,078,848	0.7	(35.51)
DCPLUS Fixed Income Portfolio	19,577,261	1.6	(14.50)
DCPLUS Large Cap Growth Portfolio	16,927,438	1.4	(27.05)
DCPLUS Large Cap Value Portfolio	9,767,278	0.8	(7.71)
DFA US Core Equity 1 Portfolio	8,288,093	0.7	(14.72)
Harbor International Institutional	11,547,932	0.9	(27.34)
MissionSquare PLUS Fund	92,046,208	7.4	1.88
MissionSquare Retirement Income Advantage	5,363,726	0.4	(17.28)
Nuveen Real Estate Securities Fund	5,450,432	0.4	(15.75)
PIMCO All Asset Fund Institutional Class	417,505	0.0	(14.90)
PIMCO Real Return Collective Trust II	6,408,182	0.5	(11.49)
Vanguard Federal Money Market	7,710,234	0.6	0.67
Vanguard Institutional Index Fund	45,353,498	3.7	(15.49)
Vanguard Small Cap Index Fund	7,631,279	0.6	(20.73)
Vanguard Target Retirement 2020 Fund	82,535,603	6.6	(15.81)
Vanguard Target Retirement 2025 Fund	136,226,025	11.0	(17.39)
Vanguard Target Retirement 2030 Fund	169,371,078	13.6	(18.25)
Vanguard Target Retirement 2035 Fund	176,165,157	14.2	(18.78)
Vanguard Target Retirement 2040 Fund	131,045,416	10.6	(19.32)
Vanguard Target Retirement 2045 Fund	110,062,537	8.9	(19.84)
Vanguard Target Retirement 2050 Fund	71,573,614	5.8	(20.12)
Vanguard Target Retirement 2055 Fund	36,134,510	2.9	(20.11)
Vanguard Target Retirement 2060 Fund	7,197,924	0.6	(20.10)
Vanguard Target Retirement 2065 Fund	1,436,645	0.1	(20.11)
Vanguard Target Retirement Inc.	47,137,884	3.8	(14.20)
Virtus Emerging Markets Fund Class 1	2,829,102	0.2	(26.00)
	<u>\$ 1,241,219,119</u>	<u>100.0</u>	

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

Financial Analysis – Changes in Fiduciary Net Position

Table 3 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended September 30, 2023, 2022 and 2021

	2023	2022	2021	2023 - 2022		2022 - 2021	
				\$ Variance	% Variance	\$ Variance	% Variance
ADDITIONS							
District Government Contributions	\$ 91,271,696	\$ 83,808,223	\$ 81,900,298	\$ 7,463,473	8.91%	\$ 1,907,925	2.33%
Net Investment Income (Loss)	165,585,241	(263,001,724)	230,225,850	428,586,965	162.96%	(493,227,574)	(214.24%)
Total Additions	256,856,937	(179,193,501)	312,126,148	436,050,438	243.34%	(491,319,649)	(157.41%)
DEDUCTIONS							
Benefits Paid to Participants	67,896,586	61,481,262	50,376,513	6,415,324	10.43%	11,104,749	22.04%
Administrative Expenses	827,243	869,912	869,668	(42,669)	(4.91%)	244	0.03%
Other Deductions	232,757	600,390	1,068,681	(367,633)	(61.23%)	(468,291)	(43.82%)
Total Deductions	68,956,586	62,951,564	52,314,862	6,005,022	9.54%	10,636,702	20.33%
Net Change	187,900,351	(242,145,065)	259,811,286	430,045,416	177.60%	(501,956,351)	(193.20%)
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,242,463,949	1,484,609,014	1,224,797,728	(242,145,065)	(16.31%)	259,811,286	21.21%
Fiduciary Net Position Available for Plan Benefits, End of Year	\$ 1,430,364,300	\$ 1,242,463,949	\$ 1,484,609,014	\$ 187,900,351	15.12%	\$ (242,145,065)	(16.31%)

Fiscal Year 2023

The District was required to contribute cash of \$87,456,451 to the Plan during the fiscal year, which was a 14.70% increase from \$76,247,407 in the prior fiscal year. The actual amount contributed by the District was \$91,271,696, an increase of 8.91% over the \$83,808,223 contributed in fiscal 2022. The District used the Plan’s forfeiture funds to pay \$3,815,245 of the contributed amount. Under the Plan’s laws and regulations, the District can use the forfeiture funds to either reduce its contributions or to pay the Plan’s administrative expenses.

The Plan’s net investment income was \$165,585,241 in fiscal year 2023, compared to a net investment loss of \$263,001,724 for fiscal year 2022. The net investment income was primarily due to favorable market conditions in fiscal year 2023 compared to 2022. Overall, 28 out of 29 funds of the Plan reflected positive rates of return, which contributed to a net appreciation in the fair value of investments. The Plan’s weighted average rate of return was 13.61% in fiscal year 2023 compared to a return of (18.01%) for fiscal year 2022.

Benefits paid to participants increased by \$6,415,324 due to a decrease in the average amount paid out per participant for fiscal 2023 of \$11,127 from \$11,576 for fiscal 2022, while the number of participants receiving distributions increased. The total number of participants receiving distributions from the Plan for fiscal year 2023 was 6,102 compared to 5,311 in fiscal year 2022.

The administrative expenses for fiscal year 2023 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 \$827,243 for the fiscal year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

Fiscal Year 2022

The District was required to contribute cash of \$76,247,407 to the Plan during the fiscal year, which was a (2.52%) decrease from \$78,219,683 in the prior fiscal year. However, the actual amount contributed by the District was \$83,808,223, an increase of 2.33% over fiscal 2021. The District used the Plan's forfeiture funds to pay \$6,960,426 of the contributed amount. Under the Plan's laws and regulations, the District can use the forfeiture funds to either reduce its contributions or to pay the Plan's administrative expenses. During fiscal year 2022, the Plan returned \$600,390 to District for contributions made on behalf of erroneously enrolled participants.

The Plan's net investment loss was \$263,001,724 in fiscal year 2022, compared to a net investment income of \$230,225,850 for fiscal year 2021. The net investment loss was primarily due to unfavorable market conditions in fiscal year 2022 compared to 2021. Overall, 27 out of 29 funds of the Plan reflected negative rates of return, which contributed to a net depreciation in the fair value of investments. The Plan's weighted average rate of return was (18.01%) in fiscal year 2022 compared to a return of 19.28% for fiscal year 2021.

Benefits paid to participants increased by \$11,104,749 due to a decrease in the average amount paid out per participant while the number of participants receiving distributions increased. The total number of participants receiving distributions from the Plan for fiscal year 2022 was 5,311 compared to 3,945 in 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 \$869,912 for the fiscal year.

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
401(a) DEFINED CONTRIBUTION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<i>ASSETS</i>		
Investments:		
Registered Investment Companies	\$ 1,333,356,647	\$ 1,149,172,911
Stable Value Fund	96,367,673	92,046,208
Total Investments	1,429,724,320	1,241,219,119
Receivables:		
Employer Contributions	3,519,754	3,567,061
Due from Program Manager	70,030	64,253
Total Receivables	3,589,784	3,631,314
Total Assets	1,433,314,104	1,244,850,433
<i>LIABILITIES</i>		
Due to District Government	2,949,804	2,386,484
Total Liabilities	2,949,804	2,386,484
Fiduciary Net Position Available for Plan Benefits	\$ 1,430,364,300	\$ 1,242,463,949

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<i>ADDITIONS</i>		
District Government Contribution	\$ 91,271,696	\$ 83,808,223
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	162,924,800	(268,056,455)
Interest and Dividends	6,643,599	9,198,309
Less: Investment Management Fees	(2,174,838)	(2,242,203)
Program Manager Fees	(1,808,320)	(1,901,375)
Net Investment Income (Loss)	165,585,241	(263,001,724)
Total (Reductions) Additions	256,856,937	(179,193,501)
<i>DEDUCTIONS</i>		
Benefits Paid to Participants	67,896,586	61,481,262
Administrative Expenses	827,243	869,912
Other Deductions	232,757	600,390
Total Deductions	68,956,586	62,951,564
Net Change	187,900,351	(242,145,065)
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	<u>1,242,463,949</u>	<u>1,484,609,014</u>
Fiduciary Net Position Available for Plan Benefits, End of Year	<u>\$1,430,364,300</u>	<u>\$1,242,463,949</u>

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF THE PLAN

The Government of the District of Columbia (the “District”) offers a Defined Contribution Plan (the “Plan”) that was established under D.C Code 1- 626.05(3). All District employees who were first hired on or after October 1, 1987 and have been employed a minimum of one year are eligible to participate in the Plan. The District contributes 5% of eligible employees’ base salary for all employees, except detention officers. Detention officers receive a 5.5% contribution of their base salary. Participants do not make any contributions to the Plan.

The District’s Office of the Chief Financial Officer, Office of Finance and Treasury (“OCFO-OFT”) and D.C. Department of Human Resources are joint Plan Administrators. They are jointly responsible for adopting the Plan’s administration rules and regulations, investment policies and overseeing the duties of the Plan’s Program Manager. In 2015, the OCFO-OFT, contracted with MissionSquare (formerly ICMA Retirement Corporation (“ICMA-RC”)) to be the Plan’s Program Manager. The Program Manager performs the Plan’s investment management, marketing and enrollment duties and is also the Trustee of the Plan. As the Trustee, the Program Manager has custody of the Plan’s assets and is responsible for the recordkeeping and reporting.

Effective October 1, 2017, the District of Columbia Government 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 of Columbia Auditor and the Office of Advisory Neighborhood Commissions participating in the deferred compensation plan established by section 2605(2), the District shall contribute each pay period an amount equal to that employee’s contribution pursuant to paragraph (1) of this subsection for that pay period; provided, that the District’s contribution pursuant to this paragraph on behalf of an employee in any pay period shall not exceed 3% of the employee’s base salary during that pay period. Matching contributions vest immediately.

The Plan’s Program Manager maintains an account for each participant that is adjusted for contributions, withdrawals, investment earnings and losses and Plan fees. Prior to December 8, 2009, a participant is 100% vested once the participant (1) attains five years of creditable service, (2) becomes disabled, or (3) dies. After that date, a participant is vested at certain percentages based on the years of creditable services, which is as follows:

Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 or more years	100%

Upon separation from service, death or disability, a vested participant or the participant’s beneficiary can receive cash payment, installment payments, annuity payments or rollover to another eligible retirement plan or traditional IRA. The installment payments can be monthly or annually for designated periods of three, five, or ten years, but may not exceed the life expectancy of the participant or beneficiary.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

Effective January 1, 2023, the SECURE Act 2.0 increased the threshold age that determines when participants must begin taking a required minimum distribution (RMD) from the plan from age 72 to 73. However, persons who turned 72 in calendar year 2022 must continue to make RMD payments no later than April 1, 2023. Persons who turn 72 in calendar year 2023, do not have to begin taking a RMD until they attain age 73 in 2024, which must be distributed by April 1, 2025.

Any person born on June 30, 1949 or earlier, must take a RMD (1) at age 70 ½, or (2) the calendar year in which the participant retires, the participant must annually take a required minimum distribution (RMD).

Plan Membership

The Plan’s membership consisted of the following at September 30, 2023 and 2022.

	2023	2022
Active Members	21,320	20,801
Inactive Members	10,604	9,860
Total Members	31,924	30,661

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan’s financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, 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 Plan’s financial statements are prepared under the accrual basis of accounting. District contributions are recognized by the Plan when the payments become due from the District government. Investment income is recognized when earned. Deductions are recognized when due in accordance with the terms of the Plan.

Investment Valuation

At September 30, 2023 and 2022, the Plan’s investments were in mutual funds and a stable value fund. 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 year-end. Investments in the stable value fund are presented at contract value, which approximates fair value.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and depreciation include the Plan's gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurement

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 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:

Fair Value Measurement

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.

Payment of Benefits

Benefit payments are recorded as deductions when due for payment.

District Contributions

Contributions are recognized as revenue to the Plan when payments become due from the District government on its specified payroll pay dates.

Tax Status

The Plan is an eligible employer defined Contribution Plan under Section 401(a) of the Internal Revenue Code.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impact of New Accounting Standards

Statement No. 96 of the Governmental Accounting Standards Board *Subscription-Based Information Technology Arrangements* generally requires a government to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The Program does not have any subscription agreements subject to the provisions of the statement and thus is not impacted. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 3 - INVESTMENTS

Investments of the Plan at September 30, 2023 and 2022 consist of the following:

	Investments	
	2023	2022
Stock and Bond Funds	\$ 1,333,356,647	\$ 1,149,172,911
Stable Value Fund	96,367,673	92,046,208
Total Investments	\$ 1,429,724,320	\$ 1,241,219,119

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.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 3 – INVESTMENTS (Continued)

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 year 2023 and 2022 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 Administrator 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 market value of an investment. The Plan manages its exposure to declines in fair market 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, 2023.

Investment	Average Maturity
MissionSquare PLUS Fund	3.75 years
DCPLUS Fixed Income Portfolio	8.70 years
PIMCO Real Return Collective Trust II	7.14 years

- *Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair market value of an investment in a foreign financial institution. The Plan mitigates this risk by limiting its investment 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.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 3 - INVESTMENTS (Continued)

At September 30, 2023 and 2022, the investment with the largest foreign currency risk was the Harbor International Fund. The major currency denomination for the Harbor International Institution 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 Investors Service, Inc. (“Moody’s”) and S&P Global (“S&P”). There were 14 out of 30 investments that had credit ratings in fiscal year 2023 and 14 out of 29 investments that had credit ratings in fiscal year 2022. At September 30, 2023 and 2022, those investments and their related credit ratings were as follows:

September 30, 2023	
Funds	Credit Ratings (Moody’s and S&P)
DCPLUS Fixed Income Portfolio	AAA/ A/ BBB/ AA
MissionSquare PLUS Fund	AA/Aa / AAA/Aia/ A/ BBB/Baa/ BB/Ba/ B
PIMCO Real Return Collective Trust II	AAA/ AA
Vanguard Target Retirement Income	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2020	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2025	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2030	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2035	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2040	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2045	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2050	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2055	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2060	AAA/ A/ BBB/ AA
Vanguard Target Retirement 2065	AAA/ A/ BBB/ AA

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 3 - INVESTMENTS (Continued)

September 30, 2022	
Funds	Credit Ratings (Moody's and S&P)
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 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. 67, *Financial Reporting for Pension Plans*, the Plan is required to disclose investments in any one organization that represent 5% or more of the Plan's fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

The funds that meet the 5% or more disclosure criteria at September 30, 2023, discussed above are: Vanguard Target Retirement 2035 Fund (14.6%), Vanguard Target Retirement 2030 Fund (13.5%), Vanguard Target Retirement 2040 Fund (11.0%), Vanguard Target Retirement 2025 Fund (10.4%), Vanguard Target Retirement 2045 Fund (9.6%), MissionSquare PLUS Fund (6.7%), Vanguard Target Retirement 2050 Fund (6.4%), and Vanguard Target Retirement 2020 Fund (6.0%).

The funds that meet the 5% or more disclosure criteria at September 30, 2022, discussed above are: Vanguard Target Retirement 2035 Fund (14.2%), Vanguard Target Retirement 2030 Fund (13.6%), Vanguard Target Retirement 2025 Fund (11.0%), Vanguard Target Retirement 2040 Fund (10.6%), Vanguard Target Retirement 2045 Fund (8.9%), MissionSquare PLUS Fund (7.4%), Vanguard Target Retirement 2020 Fund (6.6%), and Vanguard Target Retirement 2050 Fund (5.8%).

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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, 2023:

	Total	Fair Value Measurements Using		
		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	\$ 58,261,247	\$ 58,261,247	\$ -	\$ -
Consumer, Cyclical and Defensive	230,057,864	230,057,864	-	-
Financial Services	190,706,568	190,706,568	-	-
Real Estate	44,664,925	44,664,925	-	-
Communication Services	93,358,035	93,358,035	-	-
Energy	67,184,429	67,184,429	-	-
Industrials	145,907,619	145,907,619	-	-
Technology	277,694,999	277,694,999	-	-
Healthcare	153,739,103	153,739,103	-	-
Utilities	34,036,128	34,036,128	-	-
Debt securities				
Government	8,994,587	8,994,587	-	-
Corporate	4,373,165	4,373,165	-	-
Securitized	6,166,201	6,166,201	-	-
Municipal	935,098	935,098	-	-
Other	148,336	148,336	-	-
Other funds	17,128,343	17,128,343	-	-
Total investments measured at fair value	1,333,356,647	<u>\$ 1,333,356,647</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at contract value:				
Stable Value Fund	<u>96,367,673</u>			
Total Investments	<u>\$ 1,429,724,320</u>			

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Plan has the following fair value measurement as of September 30, 2022:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
Equities				
Materials	\$ 49,968,825	\$ 49,968,825	\$ -	\$ -
Consumer, Cyclical and Defensive	199,178,095	199,178,095	-	-
Financial Services	169,255,161	169,255,161	-	-
Real Estate	46,108,205	46,108,205	-	-
Communication Services	100,894,760	100,894,760	-	-
Energy	40,240,037	40,240,037	-	-
Industrials	117,524,922	117,524,922	-	-
Technology	223,667,725	223,667,725	-	-
Healthcare	133,770,066	133,770,066	-	-
Utilities	29,088,208	29,088,208	-	-
Debt securities				
Government	13,342,429	13,342,429	-	-
Corporate	5,302,163	5,302,163	-	-
Securitized	5,452,267	5,452,267	-	-
Municipal	1,008,229	1,008,229	-	-
Other	553,537	553,537	-	-
Other funds	<u>13,818,282</u>	<u>13,818,282</u>	-	-
Total investments measured at fair value	1,149,172,911	<u>\$ 1,149,172,911</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at contract value:				
Stable Value Fund	<u>92,046,208</u>			
Total Investments	<u>\$ 1,241,219,119</u>			

NOTE 5 - FORFEITURE ACCOUNT

Participants' account balances are transferred to a forfeitures account within the Plan when a participant separates from service prior to being vested and is not re-employed by the District within one year of the date of separation. The District uses the forfeited funds to reduce its contributions and to pay administrative expenses. At September 30, 2023 and 2022, the Plan's forfeiture account balance was \$1,973,348 and \$4,876,410, respectively. The District used \$3,815,245 and \$6,960,425 of forfeiture funds to reduce its contributions during 2023 and 2022, respectively.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 5 - FORFEITURE ACCOUNT (Continued)

The transactions that occurred within the account during 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 4,876,410	\$ 2,524,342
Net Non-vested Transfers	998,480	9,312,493
Investment Income	(86,297)	-
District Payroll Contributions	<u>(3,815,245)</u>	<u>(6,960,425)</u>
Ending Balance	<u>\$1,973,348</u>	<u>\$ 4,876,410</u>

NOTE 6 - PLAN FEES

Fees are charged to participants' accounts for investment management services and administrative expenses of the Plan. Investment management fees vary by investment fund and are calculated based on the fund's daily asset value. For the years ended September 30, 2023 and 2022, investment management fees totaled \$2,018,356 and \$2,242,203, 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, 2023 and 2022, Program Manager administrative fees totaled \$1,808,319 and \$1,901,375, respectively.

NOTE 7 - DUE TO DISTRICT GOVERNMENT

According to the contract with the District, the Program Manager has a revenue sharing requirement whereby 5.5 basis points (0.055%) of the Plan's daily asset value are paid to the Plan Administrator. The revenue sharing amount is deposited by the Program Manager into an administrative account maintained in the Plan. Additions to and deductions from the administrative account are not Plan transactions reflected in the Statements of Changes in Fiduciary Net Position.

The total amount of revenue sharing earned by the Plan Administrator for fiscal years 2023 and 2022 was \$827,243 and \$869,912, respectively. At September 30, 2023 and 2022, the amount Due from Program Manager was \$70,030 and \$64,253, respectively. As of September 30, 2023 and 2022, the Plan's revenue sharing fund balance was \$2,853,556 and \$2,083,876, respectively, and is reported as Due to the District Government.

Additionally, certain District employees who were employed before September 30, 1987, were erroneously enrolled into the District's 401(a) Defined Contribution Plan in lieu of the Civil Service Retirement System for part of or the whole of their tenure with the District. As a result, the District erroneously contributed \$523,057 to the 401(a) Defined Contribution Retirement Plan on the employees' behalf. Those erroneous contributions are due back to the District (See Note 9).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 8 - ADMINISTRATIVE EXPENSES

The Plan Administrator incurs and pays administrative expenses that are not paid by the Plan or recorded as plan expenses in the Statements of Changes in Fiduciary Net Position. The administrative expenses incurred by the Plan Administrator are paid by the District through the administrative account (see Note 7). Payments from the administrative account were used for direct expenses, other administrative expenses and as contributions toward salaries incurred by the District. The expenses for the years ended September 30, 2023 and 2022 totaled \$111,316 and \$457,200, respectively and were as follows:

	2023	2022
Administrative Salaries	\$ -	\$ 322,368
Financial Statement Compilation & Audit	101,779	115,176
Investment Consulting Services	9,537	19,656
Total Administrative Expenses	\$ 111,316	\$ 457,200

The Plan also incurs and pays certain administrative expenses through the forfeiture account (see Note 5). These plan-paid administrative expenses are reflected in the Statements of Changes in Fiduciary Net Position. For fiscal years 2023 and 2022, there were no administrative expenses paid by the Plan from the forfeiture account.

NOTE 9 - OTHER DEDUCTIONS

The Plan received contributions for some participants who were in the Plan in error. Contributions totaling \$232,757 and \$600,390 during fiscal years 2023 and 2022, respectively, were returned to the District to be transferred to the participants' correct pension plan. The Plan also determined contributions in the amount of \$166,278 and \$302,608 at September 30, 2023 and 2022, respectively, are due the District for certain employees who were employed before September 30, 1987 and erroneously enrolled in the Plan (See Note 7).

NOTE 10 - TERMINATED PARTICIPANTS

As of September 30, 2023 and 2022, the Plan had 7,133 and 9,860 terminated vested participants, respectively, who had account balances in the Plan. These participants are no longer receiving contributions to their accounts, but their account balances are adjusted for fees and investment earnings. The value of the account balances at fiscal year-end September 30, 2023 and 2022 were approximately \$186,761,157 and \$239,612,701, respectively.

NOTE 11 - 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.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 12 - 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 participant's account balances and the amounts reported in the statement of fiduciary net position.

NOTE 13 - SUBSEQUENT EVENTS

The Plan evaluated subsequent events through January 9, 2024, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2023, but prior to January 9, 2024, that provided additional evidence about conditions that existed as of September 30, 2023, have been recognized in the financial statements for the year ended September 30, 2023. Events or transactions that provided evidence about conditions that did not exist as of September 30, 2023, 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, 2023.

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

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202/898-0208

**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 401(a) Defined Contribution Plan (the “Plan”) as of September 30, 2023, and the related notes to the financial statements, which collectively comprise Plan’s basic financial statements, and have issued our report thereon dated January 9, 2024.

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.

January 9, 2024

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023**

There were no findings for the year ended September 30, 2023.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATUS OF PRIOR-YEAR FINDING
SEPTEMBER 30, 2022**

Finding 2022-001 – Contributions for New Plan Participants

Type of Finding: Significant Deficiency in Internal Control and Significant Non-Compliance
(Repeat Finding from 2021-001)

Condition

Contributions were made to new plan participants (meaning those hired during the year ended September 30, 2022) prior to their being eligible to receive contributions according to the plan document section cited above. This was noted for 3 of the 60 new participants selected for testing. The participants in question were hired in October 2021, January 2022 and July 2022.

Current Year Status

Corrected – Based on the results of our testing of new plan participants for FY 2023, we noted the finding was resolved.

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

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