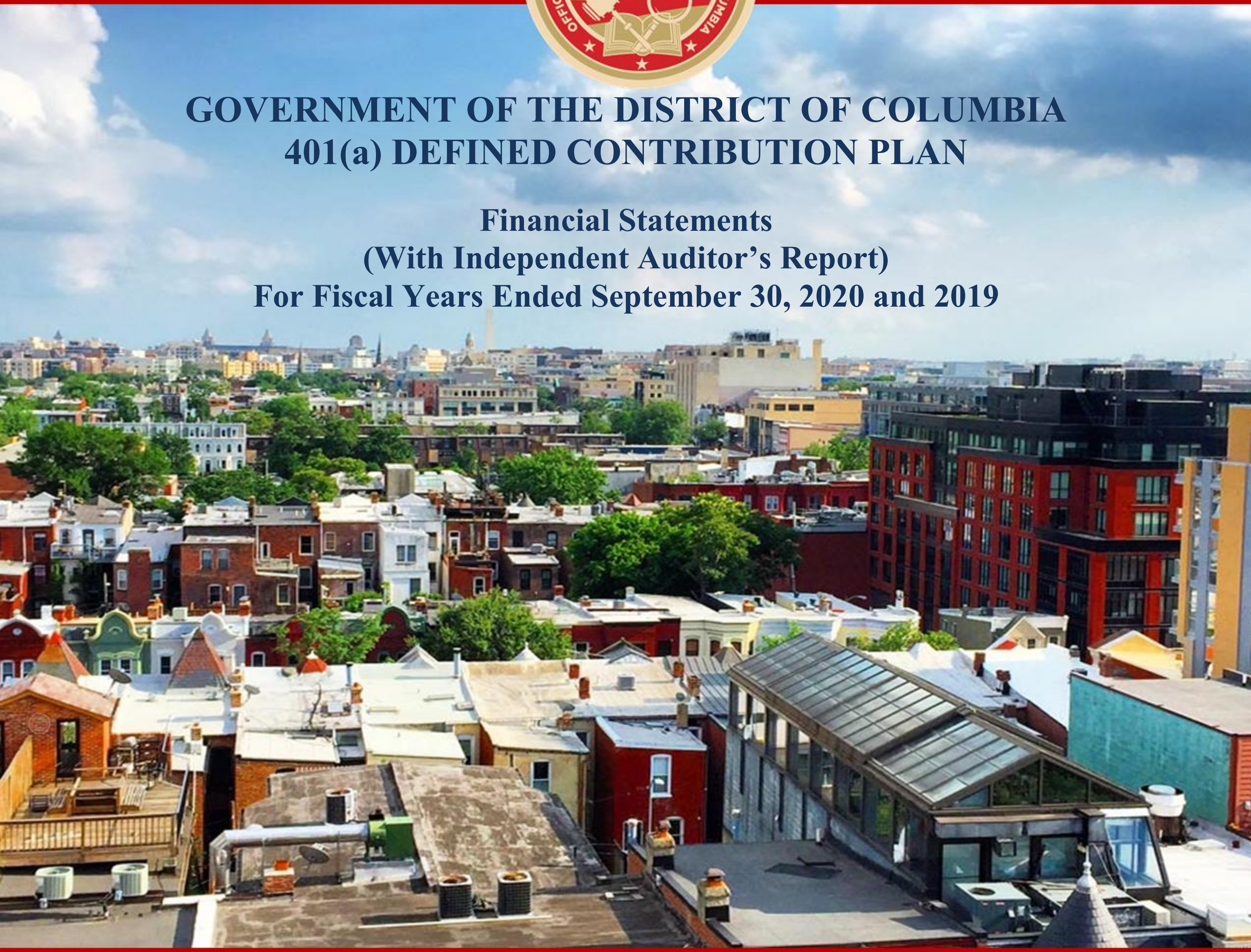
DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 21-1-19AT

January 2021

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

Financial Statements
(With Independent Auditor's Report)
For Fiscal Years Ended September 30, 2020 and 2019



Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation * Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration * Diversity * Measurement * Continuous Improvement*

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

Excellence * Integrity * Respect * Creativity * Ownership * Transparency * Empowerment * Courage * Passion * Leadership

WE ARE WASHINGTON DC

January 29, 2021

The Honorable Muriel Bowser
Mayor of the District of Columbia
Mayor's Correspondence Unit
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 *Government of the District of Columbia 401(a) Defined Contribution Plan Financial Statements (With Independent Auditor's Report) for the Fiscal Years Ended September 30, 2020 and 2019* (OIG No. 21-1-19AT). F.S. Taylor & Associates, P.C. (FSTaylor) conducted the audit and 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 2020.

On December 17, 2020, 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.

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

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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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 Financial Statements

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, 2020 and 2019, 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 basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Plan, as of September 30, 2020 and 2019, and the changes in net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, 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 17, 2020 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.

December 17, 2020
Washington, D.C.

The following presents our discussion and analysis of the financial performance of the Government of District of Columbia's 401(a) Defined Contribution Plan (the "Plan") for the fiscal years ended September 30, 2020 and 2019. 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.

2020 Financial Highlights

- Investments increased by $134,922,484 or 12.40%
- Net investment income was $97,847,859, an increase of $61,702,161 or 170.70%
- District contributions increased by $8,088,128 or 11.34%
- Benefits paid to participants decreased by $1,591,097 or 3.73%

2019 Financial Highlights

- Investments increased by $65,457,089 or 6.40%
- Net investment income was $36,145,698, a decrease of $37,947,330 or 51.22%
- District contributions increased by $843,318 or 1.20%
- Benefits paid to participants increased by $4,738,509 or 12.49%

Financial Analysis – Fiduciary Net Position

Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2020, 2019, and 2018

				2020-2019		2019-2018	
ASSETS	**2020**	**2019**	**2018**	**$ Variance**	**% Variance**	**$ Variance**	**% Variance**
Investments	$ 1,222,823,926	$ 1,087,901,442	$ 1,022,444,353	$ 134,922,484	12.40%	$ 65,457,089	6.40%
Employer Contributions Receivable	3,372,958	2,984,558	4,390,236	388,400	13.01%	(1,405,678)	-32.02%
Due from Program Manager	61,972	55,701	52,400	6,271	11.26%	3,301	6.30%
Total Assets	1,226,258,856	1,090,941,701	1,026, 886,989	135,317,155	12.40%	64,054,712	6.24%
LIABILITIES							
Due to District Government	1,461,128	1,158,447	449,516	302,681	26.13%	708,931	157.71%
Total Liabilities	1,461,128	1,158,447	449,516	302,681	26.13%	708,931	157.71%
Fiduciary Net Position Available for Plan Benefits	$ 1,224,797,728	$ 1,089,783,254	$ 1,026,437,473	$ 135,014,474	12.39%	$ 63,345,781	6.17%

Fiscal Year 2020

In fiscal year 2020, the Plan's investments increased by $134,922,484 or 12.40%, over the prior fiscal year; in addition, there was an increase of net investment income of $61,702,161. Market conditions were more favorable during fiscal year 2020 compared to 2019, and as a result 27 out of 30 investment funds had positive rates of return.

As shown in **Table 2a - Investment by Fund with Rates of Return as of September 30, 2020**, a significant portion of the Plan's investments were in Vanguard Retirement 2035 (14.4%), Vanguard Target Retirement 2030 Fund (14.3%), Vanguard Target Retirement 2025 Fund (12.3%), Vanguard Target Retirement 2040 Fund (10.2%), Vanguard Target Retirement 2020 Fund (8.2%), Vanguard Target Retirement 2045 Fund (8.2%), Vantagepoint Plus Fund (6.9%), and Vanguard Target Retirement 2050 (5.1%). 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 increased by $388,400 or 13.01% over the prior fiscal year due to an increase 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.

Table 2a - Investment by Fund with Rates of Returns as of September 30, 2020

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	$ 6,009,493	0.5	12.28
American Funds New Perspective Fund	7,976,694	0.7	25.74
Ariel Institutional	7,256,698	0.6	-8.75
Brown Capital Management Small	15,940,297	1.3	27.17
DCPLUS Fixed Income Portfolio	21,275,656	1.7	6.43
DCPLUS Large Cap Growth Portfolio	18,698,561	1.5	34.27
DCPLUS Large Cap Value Portfolio	7,429,772	0.6	-10.80
DFA US Core Equity 1 Portfolio	4,289,921	0.4	9.14
Harbor International Institutional	7,600,623	0.6	2.81
Nuveen Real Estate Securities Fund	3,715,849	0.3	-13.57
PIMCO All Asset Fund Institutional Class	342,123	0.0	0.84
PIMCO Real Return Collective Trust II	3,603,135	0.3	11.05
Vanguard Federal Money Market	5,585,083	0.5	0.87
Vanguard Institutional Index Fund	35,213,245	2.9	15.15
Vanguard Small Cap Index Fund	6,529,564	0.5	1.35
Vanguard Target Retirement 2015 Fund	44,042,551	3.6	7.75
Vanguard Target Retirement 2020 Fund	99,925,091	8.2	8.59
Vanguard Target Retirement 2025 Fund	149,868,346	12.3	9.16
Vanguard Target Retirement 2030 Fund	174,370,483	14.3	9.48
Vanguard Target Retirement 2035 Fund	176,360,957	14.4	9.80
Vanguard Target Retirement 2040 Fund	124,598,333	10.2	10.10
Vanguard Target Retirement 2045 Fund	100,384,039	8.2	10.30
Vanguard Target Retirement 2050 Fund	62,044,016	5.1	10.38
Vanguard Target Retirement 2055 Fund	27,138,252	2.2	10.38
Vanguard Target Retirement 2060 Fund	4,089,618	0.3	10.45
Vanguard Target Retirement 2065 Fund	685,858	0.1	10.40
Vanguard Target Retirement Inc.	18,250,399	1.5	7.47
VantagepointPlus Fund	84,196,150	6.9	2.31
Virtus Emerging Markets Fund Class 1	2,637,049	0.2	5.57
VT Retirement Income Advantage	2,766,070	0.2	9.31
	$1,222,823,926	100.0	

Fiscal Year 2019

In fiscal year 2019, the Plan's investments increased by $65,457,089 or 6.40%, over the prior fiscal year; however, there was a decrease of net investment income of $37,947,330. Market conditions were slightly less favorable during fiscal year 2019 compared to 2018, and as a result 25 out of 30 investment funds had positive rates of return.

As shown in **Table 2b - Investment by Fund with Rates of Return as of September 30, 2019**, a significant portion of the Plan's investments were in Vanguard Retirement 2035 (14.6%), Vanguard Target Retirement 2030 Fund (14.6%), Vanguard Target Retirement 2025 Fund (12.9%), Vanguard Target Retirement 2040 Fund (10.1%), Vanguard Target Retire 2020 Fund (9.1%), Vanguard Target Retire 2045 Fund (8.0%), and Vantagepoint Plus Fund (6.4%). 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 $1,405,678 or 32.02% over 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 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 Return as of September 30, 2019

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	$ 4,455,206	0.4	0.97
American Funds New Perspective Fund	5,824,977	0.5	2.88
Ariel Institutional	9,476,686	0.9	-6.86
Brown Capital Management Small	13,482,266	1.2	-6.23
DCPLUS Fixed Income Portfolio	15,575,335	1.4	10.15
DCPLUS Large Cap Growth Portfolio	13,838,610	1.3	-0.07
DCPLUS Large Cap Value Portfolio	7,429,264	0.7	3.97
DFA US Core Equity 1 Portfolio	2,571,976	0.2	0.21
Harbor International Institutional	6,886,393	0.6	-3.35
Nuveen Real Estate Securities Fund	3,892,256	0.4	18.77
PIMCO All Asset Fund Institutional Class	285,577	0.0	4.04
PIMCO Real Return Collective Trust II	1,824,709	0.2	6.35
Vanguard Federal Money Market	2,719,542	0.2	2.26
Vanguard Institutional Index Fund	31,551,859	2.9	4.24
Vanguard Small Cap Index Fund	5,772,720	0.5	-3.80
Vanguard Target Retirement 2015 Fund	44,972,537	4.1	6.08
Vanguard Target Retirement 2020 Fund	98,496,798	9.1	5.35
Vanguard Target Retirement 2025 Fund	140,651,029	12.9	4.95
Vanguard Target Retirement 2030 Fund	158,394,320	14.6	4.25
Vanguard Target Retirement 2035 Fund	158,437,328	14.6	3.49
Vanguard Target Retirement 2040 Fund	109,649,545	10.1	2.83
Vanguard Target Retirement 2045 Fund	86,919,048	8.0	2.32
Vanguard Target Retirement 2050 Fund	50,326,220	4.6	2.14
Vanguard Target Retirement 2055 Fund	19,830,151	1.8	2.14
Vanguard Target Retirement 2060 Fund	2,195,494	0.2	2.14
Vanguard Target Retirement 2065 Fund	405,061	0.0	2.25
Vanguard Target Retirement Inc.	18,650,575	1.7	6.82
Vantage Trust Plus Fund	69,463,247	6.5	2.44
Virtus Emerging Markets Fund Class 1	2,191,346	0.2	5.91
VT Retirement Income Advantage	1,731,367	0.2	3.09
	$1,087,901,442	100.0	

Financial Analysis – Changes in Fiduciary Net Position

Table 3 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended September 30, 2020, 2019 and 2018

				2020-2019		2019-2018	
	2020	2019	2018	$ Variance	% Variance	$ Variance	% Variance
ADDITIONS							
District Government Contributions	$ 79,420,295	$ 71,332,167	$ 70,488,849	$ 8,088,128	11.34%	$ 843,318	1.20%
Net Investment Income	97,847,859	36,145,698	74,093,028	61,702,161	170.70%	(37,947,330)	-51.22%
Total Additions	177,268,154	107,477,865	144,581,877	69,790,289	64.93%	(37,104,012)	-25.66%
DEDUCTIONS							
Benefits Paid to Participants	41,075,920	42,667,017	37,928,508	$(1,591,097)	-3.73%	4,738,509	12.49%
Administrative Expenses	704,200	640,098	615,450	64,102	10.01%	24,648	4.00%
Other Deductions	473,560	824,969	342,635	(351,409)	-42.60%	482,334	140.77%
Total Deductions	42,253,680	44,132,084	38,886,593	(1,878,404)	-4.26%	5,245,491	13.49%
Net Increase	135,014,474	63,345,781	105,695,284	71,668,693	113.14%	(42,349,503)	40.07%
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,089,783,254	1,026,437,473	920,742,189	63,345,781	6.17%	105,695,284	11.48%
Fiduciary Net Position Available for Plan Benefits, end of Year	$ 1,224,797,728	$ 1,089,783,254	$ 1,026,437,473	$ 135,014,474	12.39%	$ 63,345,781	6.17%

Fiscal Year 2020

The District was required to contribute $75,819,858 to the Plan during the fiscal year, which was a 3.18% increase from $73,486,219 in the prior fiscal year. However, the actual amount contributed by the District was $79,420,295, an increase of 11.34% over fiscal 2019. The District used the Plan's forfeiture funds to pay $3,126,877 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 also returned to the District $473,560 in contributions that were made to the Plan in error.

The Plan's net investment income was $97,847,859 in fiscal year 2020, compared to a net investment gain of $36,145,698 for fiscal year 2019. The increase in net investment income was primarily due to favorable market conditions in fiscal year 2020 compared to 2019. Overall, 27 out of 30 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 9.19% compared to a return of 3.58% for fiscal year 2019.

Benefits paid to participants decreased by $1,591,097 due to a decrease in the number of participants receiving distributions. The total number of participants receiving distributions from the Plan for fiscal year 2020 was 4,223 compared to 4,234 in fiscal year 2019.

The administrative expenses for fiscal year 2020 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 $704,200.

Fiscal Year 2019

The District was required to contribute $73,486,219 to the Plan during the fiscal year, which was a 2.42% increase from the prior fiscal year. However, the actual amount contributed by the District was $71,332,167, an increase of 1.20% over fiscal year 2018. The District used the Plan's forfeiture funds to pay $2,979,022 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 also returned to the District $824,969 in contributions that were made to the Plan in error.

The Plan's net investment income was $36,145,698 in fiscal year 2019, compared to a net investment gain of $74,093,028 for fiscal year 2018. The decrease in net investment income was primarily due to slightly less favorable market conditions in fiscal year 2019 compared to 2018. Overall, 25 out of 30 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 3.58% compared to a return of 8.23% for fiscal year 2018.

Benefits paid to participants increased by $4,738,509 due to an increase in the number of participants receiving distributions. The total number of participants receiving distributions from the Plan for fiscal year 2019 was 4,234 compared to 3,469 in fiscal year 2018.

The administrative expenses for fiscal year 2019 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 $640,098.

Contact Information

The above discussion and analysis is presented to provide additional information regarding the activities of the Plan and also to meet the disclosure requirements of Government Accounting Standard Board.

If you have any questions about the report or need additional financial information, contact the Program Director, Rodney Dickerson, Government of the District of Columbia, (202)727-0107, 1101 4th Street, SW, Washington, DC 20024, or Rodney.Dickerson@dc.gov.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	**2019**
ASSETS		
Investments:		
Registered Investment Companies	$ 1,138,627,776	$ 1,018,438,195
Vantage PLUS Stable Value Fund	84,196,150	69,463,247
Total Investments	1,222,823,926	1,087,901,442
Receivables:		
Employer Contributions	3,372,958	2,984,558
Due from Program Manager	61,972	55,701
Total Receivables	3,434,930	3,040,259
Total Assets	1,226,258,856	1,090,941,701
LIABILITIES		
Due to District Government	1,461,128	1,158,447
Total Liabilities	1,461,128	1,158,447
Fiduciary Net Position Available for Plan Benefits	$ 1,224,797,728	$ 1,089,783,254

The accompanying notes are an integral part of the financial statements

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
ADDITIONS		
District Government Contribution	$ 79,420,295	$ 71,332,167
Investment Income:		
Net Appreciation in Fair Value of Investments	96,861,323	33,472,977
Dividends	4,256,545	5,626,458
Less: Investment Management Fees	(1,627,386)	(1,430,414)
Program Manager Fees	(1,642,623)	(1,523,323)
Net Investment Income	97,847,859	36,145,698
Total Additions	177,268,154	107,477,865
DEDUCTIONS		
Benefits Paid to Participants	41,075,920	42,667,017
Administrative Expenses	704,200	640,098
Other Deduction	473,560	824,969
Total Deductions	42,253,680	44,132,084
Net Increase	135,014,474	63,345,781
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	1,089,783,254	1,026,437,473
Fiduciary Net Position Available for Plan Benefits, End of Year	$1,224,797,728	$1,089,783,254

The accompanying notes are an integral part of the financial statements

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 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, 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.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

However, under Section 2202 of the CARES Act, enacted on March 27, 2020, a coronavirus-related distribution up to $100,000 across all retirement plans can be made to qualified individuals from January 1, 2020 to December 31, 2020.

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 make a required minimum distribution (RMD). The RMD rules do not apply to calendar year 2020 as a result of the enactment of the CARES Act on March 27, 2020.

Plan Membership

The Plan's membership consisted of the following at September 30, 2020 and 2019.

	2020	2019
Active Members	21,198	20,265
Inactive Members	8,666	8,386
	29,864	28,651

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.

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, 2020 and 2019, 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.

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 (depreciation) includes 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reclassification
Certain prior year balances may have been reclassified to conform to the current year presentation. These reclassifications have no effect upon reported net position available for benefits.

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.

NOTE 3 - INVESTMENTS

Investments of the Plan at September 30, 2020 and 2019 consist of the following:

	2020	2019
Stock and Bond Funds	$ 1,138,627,776	$ 1,018,438,195
Stable Value Fund	84,196,150	69,463,247
	$ 1,222,823,926	$ 1,087,901,442

NOTE 3 – INVESTMENTS (CONTINUED)

The Plan's investments in Registered Investment Companies are stated at fair market value. The stable value fund is recorded at contract value, which approximates fair value. 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 year 2020 and 2019 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, 2020.

Investment	Average Maturity
Vantagepoint Plus Fund	3.06 years
DCPLUS Fixed Income Portfolio	8.50 years
PIMCO Real Return Collective Trust II	8.42 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.

NOTE 3 - INVESTMENTS (Continued)

At September 30, 2020 and 2019, 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 or Standard & Poor's. There were 15 out of 30 investments that had credit ratings in fiscal year 2020 and 15 out of 30 investments that had credit ratings in fiscal year 2019. At September 30, 2020 and 2019, those investments and their related credit ratings were as follows:

September 30, 2020	
Funds	**Credit Ratings**
DCPLUS Fixed Income Portfolio	AAA/BBB/A/AA
Vantagepoint Plus Fund	AAA/AA/A/BBB/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
PIMCO Real Return Collective Trust II	AAA/A

NOTE 3 - INVESTMENTS (Continued)

September 30, 2019

Funds	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/BBB/A/AA/BB
Vantage Trust Plus Fund	AAA/AA/A/BBB/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
PIMCO Real Return Collective Trust II	AAA/A

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, discussed above, are: Vanguard Retirement 2035 (14.4%), Vanguard Target Retirement 2030 Fund (14.3%), Vanguard Target Retirement 2025 Fund (12.3%), Vanguard Target Retirement 2040 Fund (10.2%), Vanguard Target Retirement 2020 Fund (8.2%), Vanguard Target Retirement 2045 Fund (8.2 %), Vantagepoint Plus Fund (6.9%), and Vanguard Target Retirement 2050 (5.1%).

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, 2020:

		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	$ 45,647,958	$ 45,647,958	$ -	$ -
Consumer, Cyclical and Defensive	220,782,937	220,782,937	-	-
Financial Services	152,848,914	152,848,914	-	-
Real Estate	45,084,539	45,084,539	-	-
Communication Services	95,818,456	95,818,456	-	-
Energy	32,809,596	32,809,596	-	-
Industrials	114,184,775	114,184,775	-	-
Technology	223,783,143	223,783,143	-	-
Healthcare	146,307,528	146,307,528	-	-
Utilities	32,626,208	32,626,208	-	-
Debt securities				-
Government	9,455,330	9,455,330	-	-
Corporate	5,321,887	5,321,887	-	-
Securitized	5,258,035	5,258,035	-	-
Municipal	843,305	843,305	-	-
Other	85,748	85,748	-	-
Other funds	7,432,843	7,432,843	-	-
Total investments measured at fair value	1,138,291,202	$ 1,138,291,202	$ -	$ -
Investments measured at cost:				
Cash	336,574			
Investments measured at contract value:				
Stable Value Fund	84,196,150			
Total Investments	$ 1,222,823,926			

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Plan has the following fair value measurement as of September 30, 2019:

		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	$ 47,412,932	$ 47,412,932	$ -	$ -
Consumer, Cyclical and Defensive	198,470,432	198,470,432	-	-
Financial Services	167,641,240	167,641,240	-	-
Real Estate	48,718,792	48,718,792	-	-
Communication Services	30,453,025	30,453,025	-	-
Energy	48,814,829	48,814,829	-	-
Industrials	110,762,308	110,762,308	-	-
Technology	194,344,523	194,344,523	-	-
Healthcare	114,133,820	114,133,820	-	-
Utilities	35,549,764	35,549,764	-	-
Debt securities				-
Government	7,457,587	7,457,587	-	-
Corporate	4,368,210	4,368,210	-	-
Securitized	4,361,459	4,361,459	-	-
Municipal	467,260	467,260	-	-
Other	184,478	184,478	-	-
Other funds	4,830,275	4,830,275	-	-
Total investments measured at fair value	1,017,970,934	$ 1,017,970,934	$ -	$ -
Investments measured at cost:				
Cash	467,261			
Investments measured at contract value:				
Stable Value Fund	69,463,247			
Total Investments	$ 1,087,901,442			

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, to pay administrative expenses, and to adjust participant's earnings. At September 30, 2020 and 2019, the Plan's forfeiture account balance was $5,202,080 and $4,047,712, respectively. The District used $3,126,877 and $2,979,022 of forfeiture funds to pay for contributions during 2020 and 2019, respectively.

NOTE 5 - FORFEITURE ACCOUNT (Continued)

The transactions that occurred within the account during 2020 and 2019 were as follows:

	2020	2019
Beginning Balance	$ 4,047,712	$ 4,218,260
Net Non-vested Transfers	3,907,992	2,359,380
Investment Income	373,253	449,094
District Payroll Contributions	(3,126,877)	(2,979,022)
Ending Balance	$ 5,202,080	$ 4,047,712

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, 2020 and 2019, investment management fees totaled $1,627,386 and $1,430,414, 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, 2020 and 2019, Program Manager administrative fees totaled $1,642,623 and $1,523,323, 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 2020 and 2019 was $704,200 and $640,098, respectively. At September 30, 2020 and 2019, the amount Due from Program Manager was $61,972 and $55,701, respectively. For fiscal year 2019, the Program Manager deposited all amounts due into the administrative account. As of September 30, 2020, and 2019, the Plan's revenue sharing fund balance was $1,461,128 and $1,158,447, respectively, and is reported as Due to the District Government.

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, 2020 and 2019 totaled $495,506 and $200,006, respectively, and were as follows:

	2020	2019
Administrative Salaries	$ 322,000	$ 50,000
Financial Statement Compilation & Audit	150,300	96,133
Investment Consulting Services	23,203	53,873
	$ 495,506	$ 200,006

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 2020 and 2019, 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 $473,560 and $824,969 during fiscal years 2020 and 2019, respectively, were returned to the District to be transferred to the participants' correct pension plans.

NOTE 10 - TERMINATED PARTICIPANTS

As of September 30, 2020, and 2019, the Plan had 8,666 and 7,343 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, 2020 and 2019 were approximately $207,146,078 and $158,194,723, 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.

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 December 17, 2020, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2020, but prior to December 17, 2020, that provided additional evidence about conditions that existed September 30, 2020, have been recognized in the financial statements for the year ended September 30, 2020. Events or transactions that provided evidence about conditions that did not exist as of September 30, 2020, 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, 2020.

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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 401(a) Defined Contribution Plan (the "Plan"), as of and for the year ended September 30, 2020, 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 17, 2020.

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 opinion 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 Plan'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 may exist that have not been identified.

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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 17, 2020
Washington, D.C.