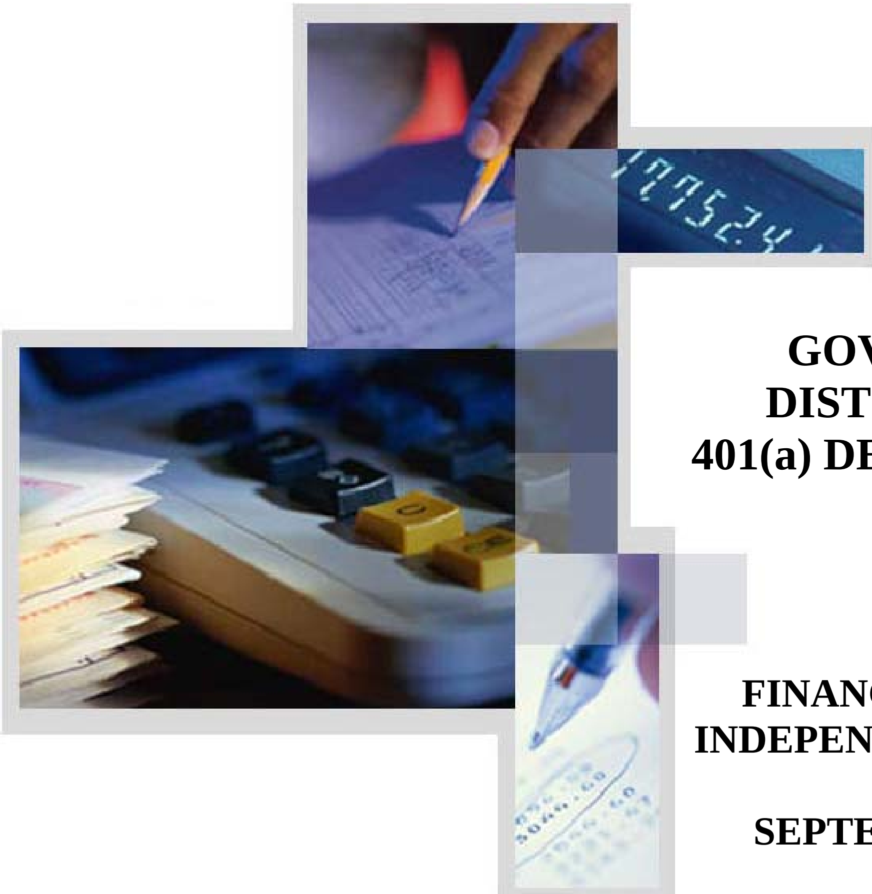

GOVERNMENT OF THE DISTRICT OF COLUMBIA 401(a) DEFINED CONTRIBUTION PENSION PLAN

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT YEARS ENDED SEPTEMBER 30, 2012 AND 2011

BCA Bazilio Cobb Associates

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of fiduciary net assets of the Government of the District of Columbia's 401(a) Defined Contribution Pension Plan (the "Plan") as of September 30, 2012 and 2011, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Government of the District of Columbia's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2012 and 2011 and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion analysis on pages 2 through 6 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 audits 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.

Washington, DC
February 1, 2013

Bazilio Cobb Associates

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
MAMNAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

The following presents our discussion and analysis of the financial performance of the Government of the District of Columbia's 401(a) Defined Contribution Pension Plan (the "Plan") for the years ended September 30, 2012 and 2011. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

The Plan was established by under District Government of the District of Columbia (D.C.) Code 1-626.053(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 Government of the District of Columbia (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.

The Plan's financial statements consist of two basic financial statements: (a) Statement of Fiduciary Net Assets and (b) Statement of Changes in Fiduciary Net Assets.

- The Statement of Fiduciary Net Assets presents the Plan's assets, liabilities, and net assets available for participant benefits.

- The Statement of Changes in Fiduciary Net Assets presents the additions and deductions to the Plan's net assets.

2012 Financial Highlights

- Investments increased by 23.08% or $100,391,744
- Net investment income was $83,798,015, an increase of approximately $76 million over the prior year.
- District contributions decreased by 4.33% or $1,853,678
- Benefits paid to participants increased by 8.25% or $1,815,655

2011 Financial Highlights

- Investments increased by 4.27% or $17,815,090
- Net investment income was $7,558,209, a decrease of approximately $29 million over the prior year.
- District contributions decreased by 2.47% or $1,082,332
- Benefits paid to participants decreased by 6.93% or $1,638,531
- Plan transfers were $10,249,626 to the D.C. Water and Sewer Authority's 401(a) Pension Plan.

Financial Analysis

Table 1 - Statements of Fiduciary Net Assets as of September 30, 2012, 2011 and 2010

				2012 - 2011		2011 - 2010	
	2012	2011	2010	Variance	% Variance	Variance	% Variance
ASSETS							
Investments	$ 535,400,375	$ 435,008,631	$ 417,193,541	$ 100,391,744	23.08	$ 17,815,090	4.27
Due from Program Manager	53,540	88,989	17,383	(35,449)	(39.84)	71,606	411.93
Total Assets	535,453,915	435,097,620	417,210,924	100,356,295	23.07	17,886,696	4.29
LIABILITIES							
Due to the District Government	737,425	454,414	187,117	283,011	62.28	267,297	142.85
Total Liabilities	737,425	454,414	187,117	283,011	62.28	267,297	142.85
Net Assets Held in Trust For Plan Benefits	$ 534,716,490	$ 434,643,206	$ 417,023,807	$ 100,073,284	23.02	$ 17,619,399	4.23

Fiscal Year 2012

The Plan's investments increased in value from 2011 by $100,391,744 or 23.08% to $535,400,375, primarily due to the Plan's positive rates of returns and required contributions from the District. Similar to fiscal year 2011, a majority of the Plan's investments were in the SSgA Target Date Funds, which comprised 82.5% of the Plan's total investments.

As noted on **Table 2a - Investments by Fund with Rates of Returns as of September 30, 2012**, all of the Plan's investment funds and portfolios showed positive returns.

A majority of the Plan's investments continued to be in SSgA Target Retirement 2020 and SSgA Target Retirement 2030 funds reflecting the stability in the retirement trend of the Plan's participants. The SSgA Target Retirement 2020 Fund had a rate of return of 20.56% and represented 25.8% of the Plan's total assets. The SSgA Target Retirement 2030 Fund had a rate of return of 22.66% and represented 27.7% of the Plan's total assets.

The amount "Due to the District Government" represents funds owed to the District as Plan Administrator to use 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 12 basis points (0.12%) of the Plan's daily asset value. The Plan Administrator invests the funds received in the Met Life Stable Value Fund until expenses are incurred.

Fiscal Year 2011

The Plan's investments increased in value from 2010 by $17,815,090 or 4.27% to $435,008,631, primarily due to the Plan's positive rates of returns and required contributions from the District.

Similar to fiscal year 2010, the majority of the Plan's investments were in the SSgA Target Date Funds, which comprised 80.5% of the Plan's total investments.

As noted on **Table 2b - Investments by Fund with Rates of Returns as of September 30, 2011**, ten of the Plan's investment funds and portfolios showed positive returns, while seven funds experienced negative returns.

A majority of the Plan's investments continued to be in SSgA Target Retirement 2020 and SSgA Target Retirement 2030 funds reflecting the stability in the retirement trend of the Plan's participants. The SSgA Target Retirement 2020 Fund had a rate of return of 3.60% and represented 26.0% of the Plan's total assets. The SSgA Target Retirement 2030 Fund had a rate of return of 1.98% and represented 26.6% of the Plan's total assets.

The amount "Due to the District Government" represents funds owed to the Plan Administrator to use 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 basis points (0.05%) of the Plan's daily asset value. During the fiscal year, the revenue sharing changed to 12 basis points (0.12%). The Plan Administrator invests the funds received in the MetLife Stable Value Fund until expenses are incurred.

Tables 2a and 2b show all the investments values as a percentage of total assets and rates of return by fund for 2012 and 2011.

Table 2a - Investments by Fund with Rates of Return as of September 30, 2012

	Investment Value	Percentage of Total Assets	Rate of Return %
Met Life Stable Value Fund	$ 55,117,334	10.3	2.03
Western Asset Core Fund	5,392,872	1.0	7.36
MFS Total Return Fund	1,035,583	0.2	18.21
Van Kampen Growth & Income Fund	1,525,152	0.3	28.04
SSgA S&P Index Fund	9,880,650	1.8	30.21
Growth Fund of America Fund	6,337,034	1.2	27.91
Lazard Mid Cap Portfolio	985,537	0.2	17.12
Ariel Fund	4,185,769	0.8	35.48
Ridgeworth Small Cap Growth Funds	3,912,402	0.7	32.01
SSgA International Stock Selection Fund	2,812,738	0.5	11.99
Neuberger Berman Fund	787,662	0.1	20.45
SSgA Tuckerman REIT Fund	2,403,619	0.4	31.98
SSgA Target Retirement Fund	8,039,172	1.5	13.50
SSgA Target Retirement 2010 Fund	52,688,820	9.8	15.76
SSgA Target Retirement 2020 Fund	138,216,588	25.8	20.56
SSgA Target Retirement 2030 Fund	148,402,454	27.7	22.66
SSgA Target Retirement 2040 Fund	93,612,028	17.5	24.03
SSgA Target Retirement 2050 Fund	64,961	0.2	24.06
	$ 535,400,375	100.0	

Table 2b - Investments by Fund with Rates of Return as of September 30, 2011

	Investment Value	Percentage of Total Assets	Rate of Return %
Met Life Stable Value Fund	$ 54,385,932	12.5	2.24
Western Asset Core Fund	4,764,276	1.1	5.82
MFS Total Return Fund	716,370	0.2	0.14
Van Kampen Growth & Income Fund	1,100,582	0.3	(2.65)
SSgA S&P Index Fund	7,140,073	1.6	1.11
Growth Fund of America Fund	4,816,535	1.1	(3.37)
Lazard Mid Cap Portfolio	908,016	0.2	(5.97)
Ariel Fund	3,067,064	0.7	(14.11)
Ridgeworth Small Cap Growth Funds	2,950,742	0.7	1.22
SSgA International Stock Selection Fund	2,583,985	0.6	(12.48)
Neuberger Berman Fund	645,753	0.2	(1.20)
SSgA Tuckerman REIT Fund	1,331,701	0.3	0.75
SSgA Target Retirement Fund	7,789,042	1.8	2.68
SSgA Target Retirement 2010 Fund	45,890,269	10.5	4.23
SSgA Target Retirement 2020 Fund	113,150,884	26.0	3.60
SSgA Target Retirement 2030 Fund	116,040,147	26.6	1.98
SSgA Target Retirement 2040 Fund	67,727,260	15.6	(0.85)
	$ 435,008,631	100.0	

Table 3 - Statements of Changes in Fiduciary Net Assets for Fiscal Years Ended September 30, 2012, 2011 and 2010

				2012 - 2011		2011 - 2010	
	2012	2011	2010	Variance	% Variance	Variance	% Variance
ADDITIONS							
District Government Contributions	$ 40,952,711	$ 42,806,389	$ 43,888,721	$ (1,853,678)	(4.33)	$ (1,082,332)	(2.47)
Net Investment Income	83,798,015	7,558,209	36,420,498	76,239,806	1,008.70	(28,862,289)	(79.25)
Total additions	124,750,726	50,364,598	80,309,219	74,386,128	147.70	(29,944,621)	(37.29)
DEDUCTIONS							
Benefits Paid to Participants	23,828,085	22,012,430	23,650,961	1,815,655	8.25	(1,638,531)	(6.93)
Transfers	-	10,249,626	-	(10,249,626)	100.00	10,249,626	100.00
Administrative Expenses	158,864	214,115	30,000	(55,251)	(25.80)	184,115	613.72
Other Deductions	690,493	269,028	602,925	421,465	156.66	(333,897)	(55.38)
Total Deductions	24,677,442	32,745,199	24,283,886	(8,067,757)	(24.64)	8,461,313	34.84
Net Increase	100,073,284	17,619,399	56,025,333	82,453,885	467.97	(38,405,934)	(68.55)
Net Assets Held in Trust For Plan Benefits, Beginning of Year	434,643,206	417,023,807	360,998,474	17,619,399	4.23	56,025,333	15.52
Net Assets Held in Trust For Plan Benefits, End of Year	$ 534,716,490	$ 434,643,206	$ 417,023,807	$ 100,073,284	23.02	$ 17,619,399	4.23

Fiscal Year 2012

The District was required to contribute $46,210,878 to the Plan during the fiscal year, which was a 0.44% decrease from the prior fiscal year. However, the actual amount contributed by the District was $40,952,711, a decrease of 4.33%. The District used the Plan's forfeiture funds to pay $5,258,167 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 $83,798,015 in fiscal year 2012, an increase of $76,239,806 or 1,008.70%. The change is attributed to an increase in the Plan's overall weighted average rate of return, which was 19.61% for 2012 compared to 1.96% for 2011.

Benefits paid to participants increased by $1,815,655. The total number of participants terminated from the Plan for fiscal year 2012 was 1,154 compared to 1,382 in fiscal year 2011.

Fiscal Year 2011

The District was required to contribute $46,403,867 to the Plan during the fiscal year, which was a 1.57% increase from the prior fiscal year. However, the actual amount contributed by the District was $42,806,389, a decrease of 2.47%. The District used the Plan's forfeiture funds to pay $3,597,478 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 $7,558,209 in fiscal year 2011, a decrease of $28,862,289 or 79.25%. The decline was attributed to a decrease in the Plan's overall weighted average rate of return, which was 1.96% for 2011 compared to 9.98% for 2010.

Benefits paid to participants decreased by $1,638,531. The total number of participants terminated from the Plan for fiscal year 2011 was 1,382 compared to 1,415 in fiscal year 2010.

During the fiscal year, the District transferred $10,249,626 to the District of Columbia Water and Sewer Authority (the "Authority"), an independent agency of the District. The transfer represented the account balances of the Authority's employees who elected to participate in the Authority's 401(a) retirement plan instead of the D.C. 401 (a) Pension Plan.

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 GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. If you have any questions about the report or need additional financial information, contact the Program Director, Brenda Mathis, the Government of the District of Columbia, (202) 727-0780, 1101 4th Street, S.W., Washington, DC 20024 or Brenda.Mathis@dc.gov.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
STATEMENTS OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Investments, at Fair Value:		
Registered Investment Companies	$ 480,283,041	$ 380,622,699
Investments, at Contract Value:		
Metlife Stable Value Fund	55,117,334	54,385,932
Total Investments	535,400,375	435,008,631
Due from Program Manager	53,540	88,989
Total Assets	535,453,915	435,097,620
LIABILITIES		
Due to the District Government	737,425	454,414
Total Liabilities	737,425	454,414
Net Assets Held in Trust for Plan Benefits	$ 534,716,490	$ 434,643,206

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
ADDITIONS		
District Government Contributions	$ 40,952,711	$ 42,806,389
Investment Income:		
Net Appreciation in Fair Value of Investments	86,518,066	10,021,206
Dividends	348,580	334,201
Less: Investment Management Fees	(3,068,631)	(2,797,198)
Net Investment Income	83,798,015	7,558,209
Total Additions	124,750,726	50,364,598
DEDUCTIONS		
Benefits Paid to Participants	23,828,085	22,012,430
Plan Transfers	-	10,249,626
Administrative Expenses	158,864	214,115
Other Deductions	690,493	269,028
Total Deductions	24,677,442	32,745,199
Net Increase	100,073,284	17,619,399
Net Assets Held in Trust for Plan Benefits, Beginning of Year	434,643,206	417,023,807
Net Assets Held in Trust for Plan Benefits, End of Year	$ 534,716,490	$ 434,643,206

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

NOTE 1 DESCRIPTION OF THE PLAN

The Government of the District of Columbia (the "District") offers a Defined Contribution Pension 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. At September 30, 2012 and 2011, the Plan had 21,750 and 21,764 members, respectively.

The District's Office of the Chief Financial Officer ("OCFO), Office of Finance and Treasury, 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, ING Institutional Plan Services, LLC ("ING"). The Program Manager performs the Plan's 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.

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 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 his/her beneficiary can receive cash payment, rollover to another eligible retirement plan or traditional IRA, installment payments, or annuity payments. The installment payments can be monthly or annually for a designated period of a three, five, or ten years, but may not exceed the life expectancy of the participant or beneficiary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan's financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments.* GASB 34 requires two basic financial statements: the statement of fiduciary net assets and the statement of changes in fiduciary net assets. 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

The Plan's investments are in pooled separate accounts and a fixed account. The investments in the pooled separate accounts represent ownership of units of participation in various mutual funds rather than ownership in specific assets. The value of a unit of participation is the total value of each mutual fund, after taking into consideration taxes, the value of shares of the underlying fund, and the Daily Asset Charge within the separate accounts, divided by the number of units outstanding. Investments in the pooled separate accounts are stated at fair value, which is based on quoted redemption values on the last business day of the Plan year. Investments in the fixed account are presented at contract value which approximates fair value.

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.

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.

Accounting Pronouncements to be Adopted

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure, issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The adoption of the pronouncement is not expected to have a material impact on the Plan's financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of the pronouncement is not expected to have a material impact on the Plan's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements to be Adopted (Continued)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of the pronouncement is not expected to have a material impact on the Plan's financial statements.

NOTE 3 INVESTMENTS

The Plan's investments in Registered Investment Companies are stated at fair market value. The Metlife Stable Value Fund is valued at contract value, which approximates fair value. As of September 30, 2012 and 2011, the Metlife Stable Value Fund contract was valued at $55,117,334 and $54,385,932, respectively.

At September 30, 2012 and 2011, the Plan's total investments were valued at $535,400,375 and $435,008,631, respectively.

The Plan's investments are subject to certain risks common to investments. Those risks are custodial credit risk, credit risk, interest rate risk, and foreign currency risk.

- *Custodial Credit Risk* is the risk that the Plan will not be able to recover the value of its investments if the counterparty fails. The Plan's investments were subject to custodial credit risk because the investments were uninsured and unregistered and were held by counterparty in the Plan's name for 2012 and 2011. The Plan Sponsor performs periodic qualitative assessments of the investment managers and investment strategy to minimize custodial credit risk.

- *Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. The Plan does not invest in investments that have an overall quality less than BBB as rated by Moody's or Standard & Poors. There were 8 out of the 17 investments that had credit ratings in 2012. At September 2012 and 2011, those investments and their related credit ratings were as follows:

NOTE 3 INVESTMENTS (CONTINUED)

2012

Investment	**Credit Rating**
Met Life Stable Value Fund	AAA/AA/A/BBB
Western Asset Core Bond Portfolio	AAA/AA/A/BBB
SSgA Target Retirement Fund	A1
SSgA Target Retirement 2010 Fund	A1
SSgA Target Retirement 2020 Fund	A1
SSgA Target Retirement 2030 Fund	Aa1
SSgA Target Retirement 2040 Fund	Aa1
SSgA Target Retirement 2050 Fund	Aa1

2011

Investment	**Credit Rating**
Met Life Stable Value Fund	AAA
Western Asset Core Bond Portfolio	AAA/AA/A/BB
SSgA Target Retirement Fund	Aa3
SSgA Target Retirement 2010 Fund	Aa3
SSgA Target Retirement 2020 Fund	Aa3
SSgA Target Retirement 2030 Fund	Aa1
SSgA Target Retirement 2040 Fund	Aa1
SSgA Target Retirement 2050 Fund	Aa1
MFS Total Return Fund	AAA/AA/A/BBB

- *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.

- *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, Far East (EAFE) benchmark. In addition, a minimum of eight countries must be represented in each investment account.

NOTE 3 INVESTMENTS (CONTINUED)

At September 30, 2012 and 2011, the investment with the largest foreign currency risk was the SSgA International Stock Selection Fund. The portfolio's major currency denomination is the British Pound and the Yen.

NOTE 4 FORFEITURE ACCOUNT

Participant account balances are transferred to a forfeiture account within the Plan when a participant separates from service prior to being invested 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 participants' earnings. At September 30, 2012 and 2011, the Plan's forfeiture account balance was $614,855 and $1,687,706, respectively. The District used $5,258,167 and $3,597,478 of forfeiture funds to pay for contributions during 2012 and 2011, respectively.

The transactions that occurred within the forfeiture account during fiscal years 2012 and 2011 were as follows:

	2012	2011
Beginning Balance	$ 1,687,706	$ 1,590,424
Net Non-vested Transfers	4,284,922	3,845,365
Investment Income	59,258	63,510
Administrative Expenses	(158,864)	(214,115)
District Payroll Contributions	(5,258,167)	(3,597,478)
Ending Balance	$ 614,855	$ 1,687,706

NOTE 5 PLAN FEES

The Plan charges fees to participants' account for investment management services. The fees vary by investment fund and are calculated based on the fund's daily asset value. At September 30, 2012 and 2011, investment management fees totaled $3,068,631 and $2,797,198, respectively.

NOTE 6 DUE TO DISTRICT GOVERNMENT

According to the contract with the District, the Program Manager has a revenue sharing requirement, whereby 12 basis points 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 Assets.

The total amount of revenue sharing earned by the Plan Administrator for fiscal years 2012 and 2011 was $733,804 and $522,599, respectively. At September 30, 2012 and 2011, the Program Manager deposited into the administrative account, all of the amounts due except for $53,540 and $88,989, respectively. As of September 30, 2012 and 2011, the Plan Administrator's revenue sharing fund balance was $737,425 and $454,414, respectively, and is recorded as Due to the District Government.

NOTE 7 ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Plan Administrator are paid by the District through the administrative account. The Plan Administrator incurred administrative expenses during fiscal years 2012 and 2011 totaling $426,216 and $275,735, respectively.

	2012	2011
Administration Salaries	$ 349,000	$ 188,600
Financial Statement Compilation	24,282	23,323
Investment Consulting Services	52,934	63,812
Ending Balance	$ 426,216	$ 275,735

Some administrative expenses incurred by the Plan are paid through the forfeiture account. The Plan's administrative expenses during fiscal years 2012 and 2011 totaled $158,864 and $214,115, respectively, and were paid from the forfeiture account.

NOTE 8 OTHER DEDUCTIONS

The Plan received contributions for some participants who were in the Plan in error. Contributions totaling $690,243 and $269,028 during fiscal years 2012 and 2011, respectively, were returned to the District to be transferred to the participants' correct pension plans.

NOTE 9 TERMINATED PARTICIPANTS

As of September 30, 2012 and 2011, the Plan had 5,145 and 4,977 terminated vested participants who had account balances in the Plan. The participants are no longer able to contribute to the Plan, but their account balances are adjusted for fees and investment earnings. The value of the account balances at year-end was approximately $84,224,349 and $79,368,725, respectively.

NOTE 10 PLAN TERMINATION

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

NOTE 11 RISKS AND UNCERTAINTIES

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