GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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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

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, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the 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. 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 fiduciary net position of the Plan, as of September 30, 2018 and 2017, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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.

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

May 7, 2019
Washington, DC

The following presents our discussion and analysis of the financial performance of the Government of District of Columbia's 401(a) Defined Contribution Pension Plan (the "Plan") for the fiscal years ended September 30, 2018 and 2017. 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.

2018 Financial Highlights

- Investments increased by $103,912,947 or 11.31%
- Net investment income was $74,093,028, a decrease of $25,167,598 or 25.36%
- District contributions increased by $6,564,649 or 10.27%
- Benefits paid to participants increased by $3,924,304 or 11.54%

2017 Financial Highlights

- Investments increased by $129,608,028 or 16.43%
- Net investment income was $99,260,626, an increase of $26,309,823 or 36.07%
- District contributions increased by $3,914,509 or 6.52%
- Benefits paid to participants increased by $7,791,898 or 29.73%

Financial Analysis – Fiduciary Net Position

Table 1 – Condensed Statements of Fiduciary Net Position as of September 30, 2018, 2017, and 2016

				2018-2017		2017-2016	
	2018	2017	2016	$ Variance	% Variance	$ Variance	% Variance
ASSETS							
Investments	$ 1,022,444,353	$ 918,531,406	$ 788,923,378	$ 103,912,947	11.31%	$ 129,608,028	16.43%
Employer Contribution Receivables	4,390,236	2,646,244	3,767,367	1,743,992	65.90%	(1,121,123)	-29.76%
Due from Program Manager	52,400	47,420	41,198	4,980	10.50%	6,222	15.10%
Total Assets	1,026,886,989	921,225,070	792,731,943	105,661,919	11.47%	128,493,127	16.21%
LIABILITIES							
Due to District Government	449,516	482,881	371,614	(33,365)	-6.91%	111,267	29.94%
Total Liabilities	449,516	482,881	371,614	(33,365)	-6.91%	111,267	29.94%
Fiduciary Net Position Available for Plan Benefits	$ 1,026,437,473	$ 920,742,189	$ 792,360,329	$ 105,695,284	11.48%	$ 128,381,860	16.20%

Fiscal Year 2018

The Plan's investments increased by $103,912,947 or 11.31%, over the prior fiscal year. But there was a decrease of net investment income of $25.2 million during fiscal year 2018. Market conditions were slightly less favorable during fiscal year 2018 compared to 2017, 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, 2018**, a significant portion of the Plan's investments were in Vanguard Retirement 2030 (14.7%), Vanguard Target Retirement 2035 Fund (14.7%), Vanguard Target Retirement 2025 Fund (13.2%), and Vanguard Target Retirement 2020 Fund (9.9%). 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 $1.74 million or 65.90% 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 Return as of September 30, 2018

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	$ 4,336,846	0.4	14.11
American Funds New Perspective	3,062,603	0.3	13.82
Ariel Institutional	10,898,290	1.1	15.30
Brown Capital Mgmt Small Company Fund	15,289,855	1.5	38.64
DC Plus Fixed Income Fund	11,877,837	1.2	-1.06
DC Plus Large Cap Growth	14,461,616	1.4	24.01
DC Plus Large Cap Value	5,849,316	0.6	10.18
DFA US Core Equity 1	2,252,012	0.2	17.27
Harbor International Fund	6,497,411	0.6	-3.02
Nuveen Real Estate Securities Fund	3,223,252	0.3	3.59
PIMCO All Asset Fund Institutional Class	208,591	0.1	1.32
PIMCO Real Return Collective Trust II	934,961	0.1	0.16
Vanguard Federal Money Market	2,128,708	0.2	1.50
Vanguard Institutional Index Fund	30,223,954	3.0	17.89
Vanguard Small Cap Index Fund	3,760,758	0.4	16.72
Vanguard Target Retirement 2015	46,433,102	4.5	4.62
Vanguard Target Retirement 2020	100,898,163	9.9	5.96
Vanguard Target Retirement 2025	134,425,976	13.2	6.89
Vanguard Target Retirement 2030	150,639,426	14.7	7.74
Vanguard Target Retirement 2035	149,977,076	14.7	8.60
Vanguard Target Retirement 2040	101,536,104	9.9	9.46
Vanguard Target Retirement 2045	78,893,222	7.7	9.90
Vanguard Target Retirement 2050	42,731,680	4.2	9.92
Vanguard Target Retirement 2055	15,453,471	1.5	9.92
Vanguard Target Retirement 2060	1,166,897	0.1	9.95
Vanguard Target Retirement 2065	104,687	0.1	9.96
Vanguard Target Retirement Inc.	19,107,650	1.9	3.32
Virtus Emerging Markets Fund Class I	1,355,075	0.1	-5.46
Vantage Trust PLUS Fund	63,679,463	6.2	2.23
VT Retirement Income Advantage	1,036,350	0.1	6.06
	$1,022,444,353	100.0	

Fiscal Year 2017

The Plan's investments increased by $129,608,028 or 16.43%, over the prior fiscal year. The increase is primarily due to approximately $31.4 million in new investments and the net appreciation in the fair value of investments of $98.2 million during fiscal year 2017. Market conditions were more favorable during fiscal year 2017 compared to 2016, and as a result, 29 out of 30 investment funds had positive rates of return. As of September 30, 2017, 83.4% of the Plan's total investments were in the Vanguard Target Date Funds.

As shown in **Table 2b - Investment by Fund with Rates of Return as of September 30, 2017**, a significant portion of the Plan's investments were in Vanguard Retirement 2030 (15.0%), Vanguard Target Retirement 2035 Fund (14.7%), Vanguard Target Retirement 2025 Fund (13.6%), and Vanguard Target Retirement 2020 Fund (10.7%). 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 $1.12 million or 29.76% 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 a monthly basis. The funding is equal to 5.5 basis points (0.055%) of the Plan's daily asset value.

Table 2b - Investment by Fund with Rates of Return as of September 30, 2017

	Investment Value	Percent of Total Assets	Rate of Return %
American Funds Fundamental Investors	$ 4,365,165	0.5	20.69
American Funds New Perspective Fund	1,360,217	0.1	21.22
Ariel Institutional	10,606,316	1.2	16.12
Brown Capital Mgmt Small Company Fund	8,668,685	0.9	20.72
DC Plus Fixed Income Fund	8,502,061	0.9	0.23
DC Plus Large Cap Growth	11,382,945	1.2	19.54
DC Plus Large Cap Value	4,611,732	0.5	18.24
DFA US Core Equity 1	1,236,012	0.1	19.54
Harbor International Fund	6,227,435	0.7	15.11
Nuveen Real Estate Securities Fund	3,077,268	0.3	0.29
PIMCO All Asset Fund Institutional Class	214,250	0.1	10.17
PIMCO Real Return Collective Trust II	652,798	0.1	-0.23
Vanguard Federal Money Market	1,435,991	0.2	0.63
Vanguard Institutional Index Fund	25,872,275	2.8	18.57
Vanguard Small Cap Index Fund	2,256,127	0.2	17.38
Vanguard Target Retirement 2015	48,388,861	5.3	8.04
Vanguard Target Retirement 2020	98,131,301	10.7	10.17
Vanguard Target Retirement 2025	125,049,325	13.6	11.81
Vanguard Target Retirement 2030	137,419,015	15.0	13.34
Vanguard Target Retirement 2035	134,606,713	14.7	14.81
Vanguard Target Retirement 2040	88,998,875	9.7	16.34
Vanguard Target Retirement 2045	67,405,185	7.3	16.91
Vanguard Target Retirement 2050	33,903,789	3.7	16.88
Vanguard Target Retirement 2055	11,102,958	1.2	16.87
Vanguard Target Retirement 2060	430,085	0.1	16.86
Vanguard Target Retirement Inc.	20,601,205	2.2	5.3
Vantage Trust PLUS Fund	60,299,290	6.6	2.04
Virtus Emerging Markets Fund Class I	1,154,278	0.1	13.1
VT Retirement Income Advantage	571,249	0.1	9.65
	$ 918,531,406	100.0	

Financial Analysis – Changes in Fiduciary Net Position

Table 3 – Condensed Statements of Changes in Fiduciary Net Position for Fiscal Years Ended September 30, 2018, 2017 and 2016

				2018-2017		2017-2016	
	2018	2017	2016	$ Variance	% Variance	$ Variance	% Variance
ADDITIONS							
District Government Contributions	$ 70,488,849	$ 63,924,200	$ 60,009,691	$ 6,564,649	10.27%	$ 3,914,509	6.52%
Net Investment Income	74,093,028	99,260,626	72,950,803	(25,167,598)	-25.36%	26,309,823	36.07%
Total Additions	144,581,877	163,184,826	132,960,494	(18,602,949)	-11.40%	30,224,332	22.73%
DEDUCTIONS							
Benefits Paid to Participants	37,928,508	34,004,204	26,212,306	$ 3,924,304	11.54%	$ 7,791,898	29.73%
Administrative Expenses	615,450	530,525	471,143	84,925	16.01%	59,382	12.60%
Other Deductions	342,635	268,237	32,297	74,398	27.74%	235,940	730.53%
Total Deductions	38,886,593	34,802,966	26,715,746	4,083,627	11.73%	8,087,220	30.27%
Net Increase	105,695,284	128,381,860	106,244,748	(22,686,576)	-17.67%	22,137,112	20.84%
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	920,742,189	792,360,329	686,115,581	128,381,860	16.20%	106,244,748	15.48%
Fiduciary Net Position Available for Plan Benefits, End of Year	$ 1,026,437,473	$ 920,742,189	$ 792,360,329	$ 105,695,284	11.48%	$ 128,381,860	16.20%

Fiscal Year 2018

The District was required to contribute $71,752,211 to the plan during the fiscal year, which was a 7.80% increase from the prior fiscal year. However, the actual amount contributed by the District was $70,488,849, an increase of 10.27%. The District used the Plan's forfeiture funds to pay $1,043,683 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 $74,093,028 in fiscal year 2018, compared to a net investment gain of $99,260,626 for fiscal year 2017. The decrease in net investment income was primarily due to slightly less favorable market conditions in fiscal year 2018 compared to 2017. 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 positive 8.23% compared to a positive return of 12.11% for fiscal year 2017.

Benefits paid to participants increased by $3,924,304 due to an increase in the number of terminated participants. The total number of participants terminated from the Plan for fiscal year 2018 was 1,301 compared to 907 in fiscal year 2017.

The administrative expenses for fiscal year 2018 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 $615,450.

Fiscal Year 2017

The District was required to contribute $66,559,018 to the plan during the fiscal year, which was an 8.45% increase from the prior fiscal year. However, the actual amount contributed by the District was $63,924,200, an increase of 6.52%. The District used the Plan's forfeiture funds to pay $2,634,818 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 $99,260,626 in fiscal year 2017, compared to a net investment gain of $72,950,803 for fiscal year 2016. The increase in net investment income was primarily due to favorable market conditions in fiscal year 2017 compared to 2016. Overall, all 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 positive 12.11% compared to a positive return of 10.67% for fiscal year 2016.

Benefits paid to participants increased by $7,791,898 due to an increase in the number of terminated participants. The total number of participants terminated from the Plan for fiscal year 2017 was 907 compared to 1,179 in fiscal year 2016.

The administrative expenses for fiscal year 2017 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 $530,525.

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 Government Accounting Standard Board. If you have any questions about the report or need additional financial information, contact the Interim 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 PENSION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Investments:		
Registered Investment Companies	$ 958,764,890	$858,232,116
VantageTrust PLUS Stable Value Fund	63,679,463	60,299,290
Total Investments	1,022,444,353	918,531,406
Receivables:		
Employer Contribution	4,390,236	2,646,244
Due from Program Manager	52,400	47,420
Total Receivables	4,442,636	2,693,664
Total Assets	1,026,886,989	921,225,070
LIABILITIES		
Due to District Government	449,516	482,881
Total Liabilities	449,516	482,881
Fiduciary Net Position Available for Plan Benefits	$1,026,437,473	$920,742,189

The accompanying notes are an integral part of the financial statements

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
ADDITIONS		
District Government Contributions	$ 70,488,849	$ 63,924,200
Investment Income:		
Appreciation in Fair Value of Investments	73,781,847	99,519,423
Dividends	3,130,174	2,181,528
Less: Investment Management Fees	(1,389,252)	(1,202,120)
Program Manager Fees	(1,429,741)	(1,238,205)
Net Investment Income	74,093,028	99,260,626
Total Additions	144,581,877	163,184,826
DEDUCTIONS		
Benefits Paid to Participants	37,928,508	34,004,204
Administrative Expenses	615,450	530,525
Other Deduction	342,635	268,237
Total Deductions	38,886,593	34,802,966
Net Increase	105,695,284	128,381,860
Fiduciary Net Position Available for Plan Benefits, Beginning of Year	920,742,189	792,360,329
Fiduciary Net Position Available for Plan Benefits, End of Year	$ 1,026,437,473	$ 920,742,189

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 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.

The District's Office of the Chief Financial Officer, Office of Finance and Treasury ("OCFO"), 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, 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, (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 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 designated period 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)

Plan Membership

The Plan's membership consisted of the following at September 30, 2018 and 2017.

	2018	2017
Active	19,786	18,544
Inactive	7,895	7,769
Total	27,681	26,313

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") 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, 2018 and 2017, 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.

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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. In 2018, the Plan's presentation of certain expenses within its Statement of Changes in Fiduciary Net Position was changed. Administrative expense previously recorded as "Investment Management Fees" is now included in the caption "Administrative Expenses".

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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted

- GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under the new guidance, fair value disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This Statement was effective for fiscal years beginning after June 15, 2015 and was adopted for fiscal year 2016.

- GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of the pronouncement did not have a material impact on the Plan's financial statements.

NOTE 3 - INVESTMENTS

Investments of the Plan at September 30, 2018 and 2017 consist of the following:

	2018	2017
Stock and Bond Funds	$ 958,764,890	$ 858,232,116
Stable Value Fund	63,679,463	60,299,290
	$ 1,022,444,353	$ 918,531,406

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 2018 and 2017 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, 2018.

Investment	Average Maturity
Vantage Trust Plus Fund	3.40 years
DCPLUS Fixed Income Portfolio	8.60 years
PIMCO Real Return Collective Trust II	8.41 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, 2018 and 2017, 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 Euro.

- *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 2018 and 14 out of 29 investments that had credit ratings in fiscal year 2017. At September 30, 2018 and 2017, those investments and their related credit ratings were as follows:

September 30, 2018

Funds	Credit Ratings
DCPLUS Fixed Income Portfolio	AAA/BBB/A/AA
Vantage Trust Plus Fund	Aa2/AA-/AA
Vanguard Target Retirement Income	AAA/A/BBB/AA
Vanguard Target Retirement 2015	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
PIMCO Real Return Collective Trust II	AAA/AA

NOTE 3 - INVESTMENTS (Continued)

September 30, 2017	
Funds	**Credit Ratings**
DCPLUS Fixed Income Portfolio	AAA/BBB/A/AA
Vantage Trust Plus Fund	Aa2/AA-/AA
Vanguard Target Retirement Income	AAA/A/BBB/AA
Vanguard Target Retirement 2015	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
PIMCO Real Return Collective Trust II	AAA/AA

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

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, 2018:

		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	$ 47,227,301	$ 47,227,301	-	-
Consumer and Cyclical and Defensive	182,623,944	182,623,944	-	-
Financial Services	160,285,686	160,285,686	-	-
Real Estate	36,679,773	36,679,773	-	-
Communication Services	30,118,570	30,118,570	-	-
Energy	58,377,775	58,377,775	-	-
Industrials	108,407,470	108,407,470	-	-
Technology	177,211,304	177,211,304	-	-
Healthcare	115,243,985	115,243,985	-	-
Utilities	26,402,635	26,402,635	-	-
Debt securities				
Government	5,011,779	5,011,779	-	-
Corporate	3,307,725	3,307,725	-	-
Securitized	3,507,544	3,507,544	-	-
Municipal	438,292	438,292	-	-
Other	351,584	351,584	-	-
Other funds	3,413,198	3,413,198	-	-
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	958,608,565	$ 958,608,565	$ -	$ -
Investments measured at cost:				
Cash	156,325			
Investments measured at contract value:				
Stable Value Fund	63,679,463			
TOTAL INVESTMENTS	$ 1,022,444,353			

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Plan has the following fair value measurement as of September 30, 2017:

		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	$ 45,452,930	$ 45,452,930	-	-
Consumer and Cyclical and Defensive	165,137,668	165,137,668	-	-
Financial Services	151,694,388	151,694,388	-	-
Real Estate	35,570,618	35,570,618	-	-
Communication Services	31,306,018	31,306,018	-	-
Energy	50,073,822	50,073,822	-	-
Industrials	100,106,473	100,106,473	-	-
Technology	143,627,377	143,627,377	-	-
Healthcare	97,664,755	97,664,755	-	-
Utilities	26,221,719	26,221,719	-	-
Debt securities				
Government	3,584,754	3,584,754	-	-
Corporate	2,355,921	2,355,921	-	-
Securitized	2,540,416	2,540,416	-	-
Municipal	327,329	327,329	-	-
Other	764,410	764,410	-	-
Other funds	1,650,241	1,650,241	-	-
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	858,078,839	$ 858,078,839	$ -	$ -
Investments measured at cost:				
Cash	153,277			
Investments measured at contract value:				
Stable Value Fund	60,299,290			
TOTAL INVESTMENTS	$ 918,531,406			

NOTE 5 - FORFEITURE ACCOUNT

Participant 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, 2018 and 2017, the Plan's forfeiture account balance was $4,218,260 and $1,970,033, respectively. The District used $1,263,362 and $2,634,818 of forfeiture funds to pay for contributions during 2018 and 2017, respectively.

NOTE 5 - FORFEITURE ACCOUNT (Continued)

The transactions that occurred within the account during 2018 and 2017 were as follows:

	2018	2017
Beginning Balance	$ 1,970,033	$ 1,035,849
Net Non-vested Transfers	3,333,908	3,494,436
Investment Income	(41,998)	74,566
Administrative Expense	-	-
District Payroll Contributions	(1,043,683)	(2,634,818)
Ending Balance	$ 4,218,260	$ 1,970,033

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, 2018 and 2017, investment management fees totaled $1,389,252 and $1,202,120, 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, 2018 and 2017, Program Manager administrative fees totaled $1,429,741 and $1,238,205, 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 2018 and 2017 was $615,450 and $530,525, respectively. At September 30, 2018 and 2017, the amount Due from Program Manager was $52,400 and $47,420, respectively. For fiscal year 2017, the Program Manager deposited all amounts due into the administrative account. As of September 30, 2018, and 2017, the Plan's revenue sharing fund balance was $449,516 and $482,881, 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, 2018 and 2017 totaled $642,075 and $376,080, respectively, and were as follows:

NOTE 8 - ADMINISTRATIVE EXPENSES (Continued)

	2018	2017
Participant Account Reimbursement	$ -	$ -
Administrative Salaries	512,300	250,000
Financial Statement Compilation & Audit	87,420	80,596
Investment Consulting Services	42,355	45,484
	$ 642,075	$ 376,080

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 2018 and 2017, 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 $342,635 and $268,237 during fiscal years 2018 and 2017, respectively, were returned to the District to be transferred to the participants' correct pension plans.

NOTE 10 - TERMINATED PARTICIPANTS

As of September 30, 2018, and 2017, the Plan had 5,812 and 7,170 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 fiscal year-end were approximately $128,757,325 and $158,847,566, 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 May 7, 2019, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2018, but prior to May 7, 2019, that provided additional evidence about conditions that existed September 30, 2018, have been recognized in the financial statements for the year ended September 30, 2018. Events or transactions that provided evidence about conditions that did not exist as at September 30, 2018, 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, 2018.