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

Financial Statements and Independent Auditor's Report
Years Ended September 30, 2013 and 2012

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants
1920 N Street NW, Suite 800 Washington, DC 20036
t: (202) 737-3300 f: (202) 737-2684

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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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's 401(a) Defined Contribution Pension Plan (the "Plan") as of September 30, 2013 and 2012, 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 audit. We conducted our audit 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of September 30, 2013 and 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective October 1, 2012, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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

Washington, Bazilio Cobb Associates, P.C.
January 22, 2014

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(a) DEFINED CONTRIBUTION PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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, 2013 and 2012. 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.

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.

- Statement of Fiduciary Net Position presents the Plan's assets and deferred outflow of resources, liabilities and deferred inflow of resources, 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.

2013 Financial Highlights

- Investments increased by $78,323,962 or 14.63%
- Net investment income was $59,520,365, a decrease of approximately $24 million over the prior year.
- District contributions increased by $5,989,109 or 14.62%
- Benefits paid to participants increased by $3,380,796 or 14.19%

2012 Financial Highlights

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

Financial Analysis

Table 1 - Statements of Fiduciary Net Position as of September 30, 2013, 2012, and 2011

	2013	2012	2011	2013-2012 $ Variance	2013-2012 % Variance	2012-2011 $ Variance	2012-2011 % Variance
ASSETS							
Investments	$ 613,724,337	$ 535,400,375	$ 435,008,631	$ 78,323,962	14.63%	$ 100,391,744	23.08%
Due from Program Manager	61,372	53,540	88,989	7,832	14.63%	(35,449)	-39.84%
Total Assets	613,785,709	535,453,915	435,097,620	78,331,794	14.63%	100,356,295	23.07%
LIABILITIES							
Due to District Government	413,557	737,425	454,414	(323,868)	-43.92%	283,011	62.28%
Total Liabilities	413,557	737,425	454,414	(323,868)	-43.92%	283,011	62.28%
Net Position Restricted for Pensions	$ 613,372,151	$ 534,716,490	$ 434,643,206	$ 78,655,661	14.71%	$ 100,073,284	23.02%

Fiscal Year 2013

The Plan's investments increased in value from 2012 by $78,323,962 or 14.63% to $613,724,337, primarily due to the Plan's positive rate of return and required contributions from the District. Similar to fiscal year 2012, a majority of the Plan's investments were in the SSgA Target Date Funds, which comprised 82.8% of the Plan's total investments.

As noted on **Table 2a - Investment by Fund with Rates of Return as of September 30, 2013,** except for Western Asset Core Fund, the Plan's investment funds and portfolios showed positive rates of return.

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 9.38% and represented 24.9% of the Plan's total assets. The SSgA Target Retirement 2030 Fund had a rate of return of 12.95% and represented 28.4% of the Plan's total assets.

The amount "Due to District Government" represents funds owed to the Plan Administrator which are 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 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 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 rate of return 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 2b - Investment by Fund with Rates of Return as of September 30, 2012,** all of the Plan's investment funds and portfolios showed positive rates of return.

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 District Government" represents funds owed to the Plan Administrator which are 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 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.

Tables 2a and 2b show all the investments values as a percent of total assets and rates of return for 2013 and 2012.

Table 2a - Investment by Fund with Rates of Return as of September 30, 2013

	Investment Value	Percent of Total Assets	Rate of Return %
MetLife Stable Asset Fund	$ 55,783,398	9.1	1.61
Western Asset Core Plus Bond Fund	4,351,356	0.7	-1.82
MFS Total Return Fund	1,548,015	0.3	12.93
Van Kampen Growth & Income Fund	2,326,327	0.4	23.38
SSgA S&P 500 Index Fund	12,919,973	2.1	19.34
The Growth Fund of America	8,233,163	1.3	25.11
Lazard US Mid Cap Equity Portfolio	1,499,590	0.3	21.30
Ariel Fund	6,318,310	1.0	33.28
Ridgeworth Small Cap Growth Stock Funds	5,076,665	0.8	33.79
SSgA International Stock Selection Fund	4,034,732	0.7	24.36
Neuberger Berman Fund	1,479,763	0.2	28.29
SSgA Tuckerman REIT Fund	1,953,450	0.3	3.59
SSgA Target Retirement Income Fund	7,978,540	1.3	3.56
SSgA Target Retirement 2010 Fund	51,728,909	8.4	3.91
SSgA Target Retirement 2020 Fund	152,665,880	24.9	9.38
SSgA Target Retirement 2030 Fund	174,089,772	28.4	12.95
SSgA Target Retirement 2040 Fund	119,715,914	19.5	15.65
SSgA Target Retirement 2050 Fund	2,020,580	0.3	15.66
	$ 613,724,337	100.0	

Table 2b - Investment by Fund with Rates of Return as of September 30, 2012

	Investment Value	Percent of Total Assets	Rate of Return %
MetLife Stable Asset Fund	$ 55,177,334	10.3	2.03
Western Asset Core Plus Bond 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 500 Index Fund	9,880,650	1.9	30.21
The Growth Fund of America	6,337,034	1.2	27.91
Lazard US Mid Cap Equity Portfolio	985,537	0.2	17.12
Ariel Fund	4,185,769	0.8	35.48
Ridgeworth Small Cap Growth Stock 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	0.2	20.45
SSgA Tuckerman REIT Fund	2,403,619	0.4	31.98
SSgA Target Retirement Income 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	0.0	24.06
	$ 535,460,375	100.0	

Table 3 - Statements of Changes in Fiduciary Net Position for Fiscal Years Ended September 30, 2013, 2012 and 2011

	2013	2012	2011	2013-2012 Variance	2013-2012 % Variance	2012-2011 $ Variance	2012-2011 % Variance
ADDITIONS							
District Government Contributions	$ 46,941,820	$ 40,952,711	$ 42,806,389	$ 5,989,109	14.62%	$ (1,853,678)	-4.33%
Net Investment Income	59,520,365	83,798,015	7,558,209	(24,277,650)	-28.97%	76,239,806	-1008.70%
Total Additions	106,462,185	124,750,726	50,364,598	(18,288,541)	-14.66%	74,386,128	-147.70%
DEDUCTIONS							
Benefits Paid to Participants	27,208,881	23,828,085	22,012,430	3,380,796	14.19%	1,815,655	8.25%
Plan Transfers	-	-	10,249,626	-	0.00%	(10,249,626)	-100%
Administrative Expenses	161,079	158,864	214,115	2,215	100.00%	(55,251)	-25.80%
Other Deductions	436,564	690,493	269,028	(253,929)	-36.78%	421,465	156.66%
Total Deductions	27,806,524	24,677,442	32,745,199	3,129,082	12.68%	(8,067,757)	-24.64%
Net Increase	78,655,661	100,073,284	17,619,399	(21,417,623)	-21.40%	82,453,885	-467.97%
Net Position Restricted for Pensions, Beginning of Year	534,716,490	434,643,206	417,023,807	100,073,284	23.02%	17,619,399	4.23%
Net Position Restricted for Pensions, End of Year	$ 613,372,151	$ 534,716,490	$ 434,643,206	$ 78,655,661	14.71%	$ 100,073,284	23.02%

Fiscal Year 2013

The District was required to contribute $48,045,073 to the plan during the fiscal year, which was a 6.13% increase from the prior fiscal year. However, the actual amount contributed by the District was $46,941,820 an increase of 14.62%. The District used the Plan's forfeiture funds to pay $1,103,253 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 $59,520,365 in fiscal year 2013, a decrease of $24,277,650 or 28.97%. The change is attributed to an increase in the Plan's overall weighted average rate of return which was 11.25% for 2013 compared to 19.61% for 2012.

Benefits paid to participants increased by $3,380,796. The total number of participants terminated from the Plan for fiscal year 2013 was 952 compared to 1,154 in fiscal year 2012.

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 decreased 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.

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, Brenda Mathis, Government of the District of Columbia, (202) 727-0780, 1101 4th Street, SW, Washington, DC 20024, Brenda.Mathis@dc.gov.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(A) DEFINED CONTRIBUTION PENSION PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Investments, at Fair Value:		
Registered Investment Companies	$ 557,940,939	$ 480,283,041
Investments, at Contract Value:		
Metlife Stable Value Fund	55,783,398	55,117,334
Total Investments	613,724,337	535,400,375
Due from Program Manager	61,371	53,540
Total Assets	613,785,708	535,453,915
LIABILITIES		
Due to District Government	413,557	737,425
Total Liabilities	413,557	737,425
Net Position Restricted for Pensions	$ 613,372,151	$ 534,716,490

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 POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
ADDITIONS		
District Government Contributions	$ 46,941,820	$ 40,952,711
Investment Income:		
Net Appreciation in Fair Value of Investments	61,722,863	86,518,066
Dividends	1,269,733	348,580
Less: Investment Management Fees	(3,472,231)	(3,068,631)
Net Investment Income	59,520,365	83,798,015
Total Additions	106,462,185	124,750,726
DEDUCTIONS		
Benefits Paid to Participants	27,208,881	23,828,085
Administrative Expenses	161,079	158,864
Other Deductions	436,564	690,493
Total Deductions	27,806,524	24,677,442
Net Increase	78,655,661	100,073,284
Net Position Restricted for Pensions, Begining of Year	534,716,490	434,643,206
Net Position Restricted for Pensions, End of Year	$ 613,372,151	$ 534,716,490

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
401(A) DEFINED CONTRIBUTION PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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 (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, 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, 2013 and 2012:

	2013	2012
Active	17,305	16,223
Inactive	5,491	5,527
Total	22,796	21,750

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

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 did not have a material impact of the Plan's financial statements.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. The requirement of this statement standardizes the presentation of deferred inflows and outflows of resources, and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the Plan is limited to renaming of "Net Assets" to "Net Position".

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements to be Adopted

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The Plan is evaluating the impact of this standard on the 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 Plan is evaluating the impact of the statement on the financial statements.

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 Plan is evaluating the impact of the statement on the financial statements.

NOTE 3 INVESTMENTS

The Plan's investments in Registered Investment Companies are stated at fair market value. The Met Life Stable Value Fund is valued at contract value, which approximates fair value. As of September 30, 2013 and 2012, the Met Life Stable Value Fund contract was valued at $55,783,398 and $55,117,334, respectively.

At September 30, 2013 and 2012, the Plan's total investments were valued at $613,724,337 and $535,400,375, 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.

NOTE 3 INVESTMENTS (Continued)

- *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 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 2013 and 2012. The Plan's Sponsor performs periodic 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 securities 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 2013 and 2012. At September 30, 2013 and 2012, those investments and their related credit ratings were as follows:

2013

	Credit Rating
MetLife Stable Value Fund	AAA/AA/A/BBB
Western Asset Core Plus Bond Fund	AAA/AA/A/BBB
SSgA Target Retirement Income Fund	A1
SSgA Target Retirement 2010 Fund	A1
SSgA Target Retirement 2020 Fund	A1
SSgA Target Retirement 2030 Fund	Aa2
SSgA Target Retirement 2040 Fund	Aa1
SSgA Target Retirement 2050 Fund	Aa1

2012

	Credit Rating
MetLife Stable Value Fund	AAA/AA/A/BBB
Western Asset Core Bond Fund	AAA/AA/A/BBB
SSgA Target Retirement Income 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

- *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.

NOTE 3 INVESTMENTS (Continued)

- *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.

  At September 30, 2013 and 2012, the investment with the largest foreign currency risk is the SSgA International Stock Selection Fund. The portfolio's major currency denomination is British pound and Yen.

NOTE 4 FORFEITURE ACCOUNT

Participant account balances are transferred to a forfeitures 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 participant's earnings. At September 30, 2013 and 2012, the Plan's forfeiture account balance was $1,176,068 and $614,855, respectively. The District used $1,103,253 and $5,258,167 of forfeiture funds to pay for contributions during 2013 and 2012, respectively.

The transactions that occurred within the account during 2013 and 2012 were as follows:

	2013	2012
Beginning Balance	$ 614,855	$ 1,687,706
Net Non-vested Transfers	1,801,526	4,284,922
Investment Income	24,019	59,258
Administrative Expense	(161,079)	(158,864)
District Payroll Contributions	(1,103,253)	(5,258,167)
Ending Balance	$ 1,176,068	$ 614,855

NOTE 5 PLAN FEES

The Plan charges fees to participants' accounts for investment management services. The fees vary by investment fund and are calculated based on the fund's daily asset value. At September 30, 2013 and 2012, investment management fees totaled $3,472,231 and $3,068,631, 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 Position.

The total amount of revenue sharing earned by the Plan Administrator for fiscal years 2013 and 2012 was $691,112 and $733,804, respectively. At September 30, 2013 and 2012, the Program Manager deposited into the administrative account all of the amounts due except for $61,371 and $53,540, respectively. As of September 30, 2013 and 2012, the Plan's revenue sharing fund balance was $413,557 and $737,425, respectively, and is reported as Due to District Government.

NOTE 7 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 6). Payments from the administrative account for direct expenses incurred and as contributions toward salaries and other administrative expenses incurred by the District for the years ended September 30, 2013 and 2012 totaled $1,026,963 and $426,216, respectively, and were as follows:

	2013	2012
Administrator Salaries	$ 982,681	$ 349,000
Financial Statements Compilation	25,010	24,282
Investment Consulting Services	19,272	52,934
Ending Balance	$ 1,026,963	$ 426,216

The Plan incurs and pays administrative expenses through the forfeiture account (see note 4). The Plan paid administrative expenses of $161,079 and $158,864 for the fiscal year 2013 and 2012, respectively, from the forfeiture account, which are reflected in the Statements of Changes in Fiduciary Net Position.

NOTE 8 OTHER DEDUCTIONS

The Plan received contributions for some participants who were in the Plan in error. Contributions totaling $436,564 and $690,493 during fiscal years 2013 and 2012, respectively, were returned to the District to be transferred to the participants' correct pension plans.

NOTE 9 TERMINATED PARTICIPANTS

As of September 30, 2013 and 2012, the Plan had 5,308 and 5,145 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 $83,225,683 and $84,224,349, respectively.

NOTE 10 PLAN TERMINATION

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

NOTE 11 RISKS AND UNCERTAINTIES

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