

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF FINANCE AND TREASURY**

**REPORT ON**

**THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT AND ADMINISTRATIVE FUNDS**

**FINANCIAL STATEMENTS  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT AND ADMINISTRATIVE FUNDS**

**FINANCIAL STATEMENTS  
AND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Trustee of  
The District of Columbia 529 College Savings Program Trust

### **Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the Participant Fund and Administrative Fund of the District of Columbia 529 College Savings Program Trust (the "Trust") as of September 30, 2018, and the related statement of changes in fiduciary net position of the Participant Fund and Administrative Fund for the year then ended and the related notes to the financial statements, which collectively comprise the Trust's 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust'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 Trust'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 Trust, as of September 30, 2018, 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.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trust's internal control over financial reporting and compliance.

Washington, D.C. *BCA Watson Rze LLP*  
December 26, 2018

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (PARTICIPANT FUND)  
(UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2018**

The following presents management's discussion and analysis of the financial performance of the Government of the District of Columbia's (the District) College Savings Program (the Program) for the fiscal year ended September 30, 2018. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

**Basic Financial Statements**

The Program is accounted for as a private purpose trust fund of the District. The District has overall fiduciary responsibility to program participants to administer the operations of the Program. In accordance with GASB 34, the Program's basic financial statements, which are reported on the accrual basis of accounting, are the: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position (c) Notes to the Financial Statements.

- The Statement of Fiduciary Net Position presents the assets, liabilities, and net position of the Program.
- The Statement of Changes in Fiduciary Net Position presents the additions to, and deductions from, the Program's net position.
- The financial statements also include notes that provide more detailed data and explanations for some of the information in the financial statements.

**Financial Highlights**

- Investments increased by \$84,854,737 or 16.06%
- Participant contributions increased by \$21,816,302 or 31.20%
- Net investment income decreased by \$6,364,671 or 12.68%
- Distributions to participants increased by \$4,854,216 or 11.13%

**Financial Analysis**

**Table 1 - Condensed Statement of Fiduciary Net Position as of September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 4,902,501	\$ 5,386,361	\$ (483,860)	-8.98%
Investments	613,374,182	528,519,445	84,854,737	16.06%
Receivables	1,842,877	864,518	978,359	113.17%
<b>Total Assets</b>	<u>620,119,560</u>	<u>534,770,324</u>	<u>85,333,096</u>	16.05%
<b>Liabilities</b>				
Total Liabilities	416,655	325,962	90,693	27.82%
Net Position Held in Trust for Program Participants	<u>\$ 619,702,905</u>	<u>\$ 534,444,362</u>	<u>\$ 85,742,403</u>	16.04%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (PARTICIPANT FUND)  
(UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2018**

**Financial Analysis – Fiduciary Net Position**

The Program's primary asset was investments, which totaled \$613,374,182. Investments increased by 16.06% over fiscal year 2017 because of asset growth and the excess of contributions over distributions to participants. Market conditions were favorable in fiscal 2018, and as a result, fourteen (14) of the sixteen (16) Program funds had positive rates of return. The Program's funds invest in one or more underlying investments. The underlying investments are primarily held in mutual funds and a principal protected portfolio

As shown in Table 2 - **Investment by Fund with Rates of Returns as of September 30, 2018**, the top four Program investments were held in the U.S. Total Stock Market Index Portfolio (\$132,266,280 or 21.6%); DC College Savings 2022 Portfolio (\$60,697,050 or 9.9%); DC College Savings 2025 Portfolio (\$57,835,700 or 9.4%); and DC College Savings 2028 Portfolio (\$56,396,873 or 9.2%).

**Table 2 - Investment by Fund with Rates of Returns as of September 30, 2018**

	<u>Investment Value</u>	<u>Percent of Total Assets</u>	<u>Rate of Return %</u>
DC College Savings 2034 Portfolio	\$ 24,923,712	4.1	8.67
DC College Savings 2031 Portfolio	47,039,293	7.7	6.78
DC College Savings 2028 Portfolio	56,396,873	9.2	5.05
DC College Savings 2025 Portfolio	57,835,700	9.4	3.46
DC College Savings 2022 Portfolio	60,697,050	9.9	2.54
DC College Savings 2019 Portfolio	56,050,935	9.1	2.55
DC College Savings Income College Portfolio	40,935,858	6.7	2.35
U.S. Large Cap Equity Portfolio	43,780,354	7.1	18.31
U.S. Socially Responsible Equity Portfolio	4,778,355	0.8	18.55
U.S. Total Stock Market Index Portfolio	132,266,280	21.6	16.94
U.S. Small Cap Equity Portfolio	14,511,562	2.4	15.84
Non-U.S. Socially Responsible Equity Portfolio	6,156,798	1.0	1.76
Non-U.S. Total Stock Market Index Portfolio	4,016,284	0.7	1.16
Intermediate-Term Bond Portfolio	12,392,884	2.0	(0.20)
U.S. Intermediate-Term Bond Portfolio	2,077,900	0.3	(1.58)
Principal Protected Portfolio	49,514,344	8.0	2.17
	<u>\$ 613,374,182</u>	<u>100.0</u>	

Receivables increased by \$978,359 or 113.17% over the prior fiscal year because of an increase in trades receivable and interest and dividend receivables at the end of the year.

Total liabilities increased by \$90,693 or 27.82% over the prior fiscal year primarily because of an increase in trades payable and amount payable for program management fees at the end of the year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (PARTICIPANT FUND)  
(UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2018**

**Table 3 - Condensed Statement of Changes in Fiduciary Net Position as of September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Variance(\$)</u>	<u>Variance(%)</u>
<b>Additions</b>				
Contributions	\$ 91,743,995	\$ 69,927,693	\$ 21,816,302	31.20%
Net Investment Income	43,810,142	50,174,813	(6,364,671)	-12.68%
<b>Total Additions</b>	<u>135,554,137</u>	<u>120,102,506</u>	<u>15,451,631</u>	12.87%
<b>Deductions</b>				
Distributions to Participants	48,462,909	43,608,693	4,854,216	11.13%
Other Expenses	1,832,686	1,314,600	518,086	39.41%
<b>Total Deductions</b>	<u>50,295,595</u>	<u>44,923,293</u>	<u>5,372,302</u>	11.96%
<b>Increase in Net Position</b>	<u>\$ 85,258,542</u>	<u>\$ 75,179,213</u>	<u>\$ 10,079,329</u>	13.41%

**Financial Analysis – Changes in Fiduciary Net Position**

The Program's contributions increased by \$21,816,302 or 31.20% over the prior fiscal year. The year-over-year changes are a reflection of the investment decision made by participants and the actions of the program manager to process these transactions. The Program had an increase in participants from 23,307 in fiscal year 2017 to 25,871 in fiscal year 2018.

The Program had a net investment income of \$43,810,142 in fiscal year 2018, which is a 12.68% decrease over fiscal year 2017. The decrease in net investment income was primarily due to a decrease in the net appreciation in the fair value of investments from \$44.4 million in fiscal year 2017 to \$39.6 million in fiscal year 2018. Additionally, interest and dividends decreased from \$7.9 million in fiscal year 2017 to \$4.7 million in fiscal year 2018. Overall, fourteen (14) of the sixteen (16) funds of the Program reflected positive rates of return, which contributed to a net appreciation in the fair value of investments for the year. For fiscal year 2018, the Program's investments collectively had a weighted average rate of return of 6.32%.

Distributions to participants in 2018 were \$48,462,909 or 11.13% increase over fiscal year 2017. This increase is due to individual participant behavior and the timing of distributions to participants as funds are utilized to pay for college expenses or other purposes.

Other expenses include program management fees, and administrative and maintenance expenses. The overall increase in other expenses is primarily due to an increase in program management fees from \$0.6 million in fiscal year 2017 to \$1.4 million in fiscal year 2018 and a decrease in maintenance expenses from \$0.4 million in fiscal year 2017 to \$0.2 million in fiscal year 2018. During fiscal year 2017, the Program changed program management and the various investment options, and consequently, these fees including the underlying investment management fees were realigned. While program management fees increased, the underlying investment management fees decreased from \$2.1 million to \$0.5 million. For fiscal year 2018, program management and administrative fees were on average 0.25% and 0.05%, respectively, of the funds average daily net asset value. Underlying investment management fees ranged from 0.00% to 0.44% for each investment option.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (PARTICIPANT FUND)  
(UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2018**

**Contact Information**

This financial report is designed to provide a general overview of the Program's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer (Office of Finance and Treasury); Government of the District of Columbia; 1101 4th Street SW, 8th Floor Washington, DC, 20024.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**PARTICIPANT FUND**

**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2018**

**ASSETS**

Cash and Cash Equivalents	\$ 4,902,501
Receivables:	
Interest and Dividends	1,139,377
Investment Securities	703,500
	<u>1,842,877</u>
Investments:	
Equity Mutual Funds	316,350,561
Fixed Income Mutual Funds	156,331,104
Guaranteed Investment Contracts	140,692,517
Total Investments	<u>613,374,182</u>
<b>Total Assets</b>	<u>620,119,560</u>

**LIABILITIES**

Investment Securities	270,574
Program Management Fees Payable	120,721
Due to D.C. Government Administrative Fund	25,360
	<u>416,655</u>
<b>Total Liabilities</b>	<u>416,655</u>
<b>Net Position Held in Trust for Program Participants</b>	<u>\$ 619,702,905</u>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**ADDITIONS**

Contributions	<u>\$ 91,743,995</u>
Investment Income	
Net Appreciation in Fair Value of Investments	39,646,233
Interest and Dividends	4,674,984
Less: Investment Expenses	<u>(511,075)</u>
Net Investment Income	<u>43,810,142</u>
<b>Total Additions</b>	<u>135,554,137</u>

**DEDUCTIONS**

Distributions to Participants	48,462,909
Program Management Fees	1,383,310
Administrative Expenses	291,411
Maintenance Expenses	<u>157,965</u>
<b>Total Deductions</b>	<u>50,295,595</u>
Increase in Net Position	85,258,542

**Net Position Held in Trust for Program Participants**

Beginning of Year	<u>534,444,363</u>
<b>End of Year</b>	<u>\$ 619,702,905</u>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
ADMINISTRATIVE FUND**

**STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2018**

**ASSETS**

Investment	
Fixed Income	<u>\$ 678,594</u>
Receivables	
Due from Program Manager	1,146
Due from Participant Fund	<u>25,360</u>
Total Receivables	<u>26,506</u>
Total Assets	<u><b>705,100</b></u>
<b>Net Position Held in Trust for Administrative Expenses</b>	<u><b>\$ 705,100</b></u>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
ADMINISTRATIVE FUND**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**ADDITIONS**

Administrative Fees	\$ 291,411
Maintenance Fees	17,901
Net Investment Income	<u>8,575</u>
<b>Total Additions</b>	<u>317,887</u>

**DEDUCTIONS**

Professional Fees	184,941
Donations (Scholarship)	<u>44,500</u>
<b>Total Deductions</b>	<u>229,441</u>
Increase in Net Position	88,446

**Net Position Held in Trust for Administrative Expenses**

Beginning of Year	<u>616,654</u>
<b>End of Year</b>	<u><u>\$ 705,100</u></u>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 ORGANIZATION AND PURPOSE**

The District of Columbia (DC) College Savings Program (the Program) was created by D.C. Law 47- 4501 et seq., as amended and pursuant to D.C. Regulations, 49 DCR 9859, November 1, 2002 made final at D.C. Mun. Regs, title 9 sec. 155 (2004), as a Trust of the District of Columbia Government (the District). The Program enables participants to save for qualified higher education expenses. On December 22, 2017, federal tax bill H.R.1 was signed into law and expanded the definition of “qualified higher education expenses” to include qualified K-12 tuition expenses at a private, public or parochial school up to specified expense limitations per student. The Chief Financial Officer of the District of Columbia or his/her designee is the Trustee of the Plan. The current designee is the D.C. Treasurer. The Trustee is responsible for entering into contracts for program management services, adopting program administration rules and regulations, and establishing investment policies. The Program is managed by Ascensus College Savings Recordkeeping Services, LLC (ACSR) and its affiliates (collectively, Ascensus College Savings) and they have the overall responsibility for the day-to-day operation of the Program including recordkeeping, investment management, administrative services, and marketing. The management agreement between Ascensus College Savings and the D.C. Treasurer expires November 15, 2021 with the option to extend for two one- year periods, unless earlier termination.

The Program is available to both District of Columbia and non-District of Columbia residents. It is a qualified tuition program that allows participants to make contributions into sixteen (16) different investment options. The account balance limit is \$500,000 per beneficiary. Accounts are subject to market investment risk, except for those that are invested in the Principal Protected Portfolio, which focuses on protecting the invested principal. As of September 30, 2018, the Plan had 25,871 participants with a net asset value of \$619,702,905. Fees and expenses of the program are paid by each account owner and vary according to the Portfolio, in which they are invested.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

The accompanying financial statements report the fiduciary net position and the changes in fiduciary net position of and for the fiscal year ended September 30, 2018. For financial reporting purposes, the Program includes all funds over which the Program exercises, or has the ability to exercise oversight authority.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Program reports the activity of the District of Columbia College Savings Program as a private-purpose trust fund, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or governments. The financial statements of the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**Investment Valuation and Income Recognition**

Portfolio investments in the underlying funds are valued at the closing net asset value per share (unit) of each underlying fund on the day of valuation. The stability of principal portfolio is valued in accordance with the terms of the funding agreement, inclusive of accrued interest.

Security transactions, normally in shares of the underlying funds, are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Income and capital gains distributions, if any, from investments in the underlying funds are recorded on the ex-dividend date. Expenses included in the accompanying financial statements reflect the expenses of each portfolio and do not include any expenses associated with the underlying funds.

Units represent the beneficial interest of each participant in the net assets of a Portfolio. Contributions to and distributions from the portfolios are subject to terms and limitations defined in the Participation Agreement between the participant and the Trust. Contributions and distributions are recorded upon receipt of the participant's instructions in good order, based on the next determined net asset value per unit. Net investment income and net realized gains accumulate in the net asset value of each Portfolio and are not separately distributed to participants.

**Fair Value Measurements**

Government Accounting Standards Board Statement number 72 (GASB 72), *Fair Value Measurements and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs-other than quoted prices included within Level 1 - that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

Level 3 – unobservable inputs (including the District's own assumptions in determining the fair value of investments).

**Cash and Cash Equivalents**

Balance includes cash on deposit and short-term highly liquid investments that are (a) readily convertible to known amounts of cash and (b) so near their maturities that they present insignificant risk of changes in value because of changes in interest rates.

**Receivables and Payables for investments purchased and sold**

The receivables and payables represent transactions related to the purchase and sale of investments. However, the actual transfer of cash did not occur until the subsequent period.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

The preparation of the financial statements in accordance 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 at the date of the financial statements and the amounts of income and expense during the reporting period. Actual results could differ from those estimates.

**Income Tax Status**

The Program is exempt from federal taxes in accordance with Section 529 of the Internal Revenue Code. D.C. resident participants are exempt from state and local taxes when earnings from the Program are used for qualified expenses. Non-D.C. residents may be subject to state and local taxes in their jurisdiction.

**NOTE 3 INVESTMENTS**

**Investment Policy and Guidelines**

The Program offers account owners, several Investment Portfolios that provide a range of risk and return characteristics, each unique to aid in proper diversification. Three different types of Investment Portfolios are offered to account owners: 1) Year of College Enrollment Portfolios, 2) Individual Portfolios, and 3) Principal Protected Portfolio. Once an account owner's Investment Portfolio(s) is selected for a particular contribution, IRS guidance dictates the rules through which an account owner can move money or transfer from one Investment Portfolio to another.

*Year of College Enrollment Portfolio:* The Portfolios offer account owners pre-diversified Investment Portfolios that become more conservative as the beneficiary nears his/her intended year of high school graduation. The Year of College Enrollment Portfolios represent a weighted allocation among a predetermined number and type of investment strategies, as follows:

<u>Underlying Investments</u>	<u>Year of College Enrollment Portfolios</u>						
	<u>DC College Savings Portfolios</u>						
	<u>Income</u>	<u>2019</u>	<u>2022</u>	<u>2025</u>	<u>2028</u>	<u>2031</u>	<u>2034</u>
iShares Core S&P Total U.S. Stock Market ETF	5.20%	8.45%	13.00%	22.75%	32.50%	42.25%	52.00%
iShares Core MSCI Total International Stock ETF	2.00%	3.25%	5.00%	8.75%	12.50%	16.25%	20.00%
Schwab US REIT ETF	0.80%	1.30%	2.00%	3.50%	5.00%	6.50%	8.00%
Vanguard Intermediate-Term Bond Index Fund	6.00%	9.00%	16.50%	19.50%	15.00%	10.50%	6.00%
Vanguard Short-Term Corporate Bond Index Fund	5.00%	7.50%	13.75%	16.25%	12.50%	8.75%	5.00%
Vanguard Short-Term Inflation Protected Securities Index Fund	7.00%	10.50%	19.25%	22.75%	17.50%	12.25%	7.00%
iShares Core International Aggregate Bond ETF	2.00%	3.00%	5.50%	6.50%	5.00%	3.50%	2.00%
Principal Protected Portfolio	72.00%	57.00%	25.00%	0.00%	0.00%	0.00%	0.00%

The Program Manager monitors and rebalances the underlying asset allocation of the Year of College Enrollment Portfolios on a quarterly basis. The Program Manager has discretion to rebalance the Year of College Enrollment Portfolios when the Investment Portfolios fall outside the strategic targets by more than one percentage point.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3 INVESTMENTS (*Continued*)**

*Individual Portfolios:* The Individual Portfolios are stand-alone options, which allow account owners to allocate their account into one or more Investment Portfolios. The goal in offering the Individual Portfolios is to provide account owners with the ability to construct diversified portfolios by asset class and investment style that match their risk tolerance, asset class preferences, time horizons and expected returns. Each portfolio invests (100%) in a single underlying mutual fund or EFT, as follows:

<b>Individual Portfolios</b>	<b>Underlying Investments</b>	<b>Asset Clasas</b>
U.S. Intermediate-Term Bond Index Portfolio	iShares Core U.S. Aggregate Bond ETF	Fixed Income
Intermediate-Term Bond Portfolio	Loomis Sayles Core Plus Bond Fund	Fixed Income
U.S. Total Stock Market Index Portfolio	iShares Core S&P Total U.S. Stock Market ETF	Domestic Equity
U.S. Socially Responsible Equity Portfolio	DFA U.S. Sustainability Core 1 Portfolio	Domestic Equity
U.S. Large-Cap Equity Portfolio	JP Morgan U.S. Equity Fund	Domestic Equity
Non-U.S. Socially Responsible Equity Portfolio	DFA International Sustainability Core 1 Portfolio	International Equity
Non-U.S. Total Stock Market Index Portfolio	iShares Core MSCI Total International Stock ETF	International Equity
U.S. Small-Cap Equity Portfolio	Vanguard Starategic Small-Cap Equity Fund	Domestic Equity

The Trustee reserves the right to add or replace Individual Portfolios based upon market conditions, Program Manager and Investment Consultant input, account owner response, or other factors.

*Principal Protected Portfolio:* The Principal Protected Portfolio focuses on protecting the principal account owners invest by allocating account owner contributions and earnings to a funding agreement issued by an insurance company that provides a guaranteed return of principal plus a minimum annualized rate of interest to the Trust. As of September 30, 2018, this portfolio was maintained in a stable value fund.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 3 INVESTMENTS (Continued)**

**Unrealized and Appreciated Value of the Program's Investments**

At September 30, 2018, the Program held the following investments which are stated at fair value based on fair market prices:

	<u>Aggregate Cost</u>	<u>Aggregate Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
<b>Domestic Equity Mutual Funds</b>			
iShares Core S&P Total U.S. Stock Market ETF	\$ 167,459,776	\$ 205,588,997	\$ 38,129,221
Schwab U.S. REIT ETF	10,356,802	10,715,179	358,377
DFA U.S. Sustainability Core 1 Portfolio	4,237,410	4,778,356	540,946
JP Morgan U.S. Equity	37,954,608	43,780,354	5,825,746
Vanguard Strategic Small Cap Equity	12,569,131	14,511,562	1,942,431
<b>International Equity Mutual Funds</b>			
DFA International sustainability Core 1	5,775,450	6,156,798	381,348
iShares Core MSCI Total International Stock ETF	29,294,056	30,819,315	1,525,259
<b>Fixed Income Mutual Funds</b>			
Vanguard Intermediate-Term Bond Index Fund	44,067,614	42,548,703	(1,518,911)
Vanguard Short-Term Corporate Bond Fund	36,360,843	35,658,879	(701,964)
Vanguard Short-Term Inflation Protected Securities	50,752,246	49,777,563	(974,683)
Loomis Sayles Core Plus Bond Fund	12,685,338	12,392,884	(292,454)
iShares Core U.S. Aggregate Bond ETF	13,756,344	13,875,176	118,832
iShares Core International Aggregate Bond	2,126,624	2,077,900	(48,724)
<b>Guaranteed Investment Contracts</b>			
Ameritas Stable Value Fund	140,692,516	140,692,516	-
Total Investments	<u>\$ 568,088,758</u>	<u>\$ 613,374,182</u>	<u>\$ 45,285,424</u>

The unrealized gain (loss) on investments as of September 30, 2018 was \$45,285,424. The net appreciation in the fair value of the investments as reflected in the Statement of Changes in Fiduciary Net Position consists of the following for the year ended September 30, 2018:

Unrealized gain (loss) as of September 30, 2018	\$ 45,285,424
Unrealized gain (loss) as of September 30, 2017	<u>(19,629,078)</u>
Net change in unrealized gain (loss) during the year	25,656,346
Net realized gain (loss) during the year	<u>13,989,887</u>
Net Appreciation in Fair Value of Investments	<u>\$ 39,646,233</u>

The net unrealized gain consists of losses in the year of enrollment base portfolio strategies and losses in the single portfolio investment strategies. The net realized gain consists primarily of gains in age-base portfolio strategies.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3 INVESTMENTS (*Continued*)**

**Investment Risks**

The Program's investments are subject to the following risks common to investments:

*Custodial Credit Risk* is the risk that the Program 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 Program, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the Program's name. The Program's investments for fiscal year 2018 are uninsured and unregistered and are held by the counterparty in the Program'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 funds which are not generally exposed to custodial credit risks.

*Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. The Program does not invest in debt securities that have an overall quality which is less than the BBB as rated by Moody's or Standard & Poor. The primary credit ratings of the Program's debt securities are as follows:

<b>Fund</b>	<b>Credit Ratings</b>
iShare Core U.S. Aggregate Bond ETF	AAA, A, BBB, BB
Loomis Sayles Core Plus Bond Fund	AAA, A, BBB, BB
iShare Core S&P Total U.S. Stock Market ETF	AAA, AA, A, BBB
Vanguard Strategies Small-Cap Equity Fund	AAA, AAA, BBB
Principal Protected Plus	A

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program does not invest in any investment account that has an average maturity exceeding ten years for its Bond Mutual Funds. The interest rate sensitivity, defined as duration, for each fund is as follows:

<b>Fund</b>	<b>Average Duration</b>
iShare Core U.S. Aggregate Bond ETF	7.38
Loomis Sayles Core Plus Bond Fund	5.89
iShare Core S&P Total U.S. Stock Market ETF	5.89
Vanguard Strategies Small-Cap Equity Fund	6.17
Principal Protected Plus	2.65

*Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Program does not have a formal policy for limiting its exposure to changes in exchange rates. The investment fund that invests primarily in foreign financial institutions are the DFA International Sustainability Core 1 Portfolio and iShare Core International Aggregate Bond ETF. The Fund has various currency denominations. The primary currency denominations are the Franc, the Yen, and the British pound.

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**529 COLLEGE SAVINGS PROGRAM TRUST**  
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**SEPTEMBER 30, 2018**

**NOTE 3 INVESTMENTS (*Continued*)**

**Fair Value Measurements**

*Equity Mutual Funds:* This investment category consists of open-ended mutual funds that are registered with the Securities and Exchange Commission (SEC). These mutual funds publish a daily NAV and transact at that price. The mutual funds held in equities are deemed to be actively traded and support classification of the fair value measurement as Level 1 in the fair value hierarchy.

*Fixed Income Mutual Funds:* Mutual funds are a pool of money invested by an investment company in a variety of instruments such as emerging markets sovereigns, government related agencies, and emerging markets corporations. This investment category consists of open-ended mutual funds that are registered with the Securities and Exchange Commission (SEC). The mutual funds are invested in high yield markets bonds that represent fixed income securities issued by corporations with credit ratings of AAA or lower. These fixed income mutual funds publish a daily NAV and transact at that price. The mutual funds held in bonds are deemed to be actively traded and support the classification as Level 1 in the fair value hierarchy.

*Guaranteed Investment Contracts:* The Guaranteed Investment Contract (GIC) is valued at the sum of the net cash contributions to the deposit account plus interest credited minus withdrawals (the Contract Value). The GIC is measured at contract value and is a contractual investment rather than a security and is not deemed to be subject to custodial credit risk. The determination of fair value includes certain unobservable inputs as well as the assessment of the projected long-term duration of the Insurance and Annuity Company through review of contract terms, and substantiated utilizing available market data. However, there is a risk that an insurance company could fail to perform its obligations under a funding agreement for financial or other reasons. These contract value of the GIC is not leveled in the fair value hierarchy table below.

The Program categorizes fair value measurement within a hierarchy established by generally accepted accounting principles. The underlying funds had the following recurring fair value measurements at September 30, 2018:

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 3 INVESTMENTS (Continued)**

	<b>Total</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>INVESTMENTS MEASURED AT FAIR VALUE</b>				
<b>Domestic Equity Mutual Funds</b>				
iShares Core S&P Total U.S. Stock Market ETF	\$ 205,588,997	\$ 205,588,997	\$ -	\$ -
Schwab U.S. REIT ETF	10,715,179	10,715,179	-	-
DFA U.S. Sustainability Core 1 Portfolio	4,778,356	4,778,356	-	-
JP Morgan U.S. Equity	43,780,354	43,780,354	-	-
Vanguard Strategic Small Cap Equity	14,511,562	14,511,562	-	-
<b>Total Domestic Equity Mutual Funds</b>	<b>279,374,448</b>	<b>279,374,448</b>	<b>-</b>	<b>-</b>
<b>International Equity Mutual Funds</b>				
DFA International Sustainability Core 1	6,156,798	6,156,798	-	-
iShares Core MSCI Total International Stock ETF	30,819,315	30,819,315	-	-
<b>Total Income Equity Mutual Funds</b>	<b>36,976,113</b>	<b>36,976,113</b>	<b>-</b>	<b>-</b>
<b>Fixed Income Mutual Funds</b>				
Vanguard Intermediate-Term Bond Index Fund	42,548,703	42,548,703	-	-
Vanguard Short-Term Corporate Bond Fund	35,658,879	35,658,879	-	-
Vanguard Short-Term Inflation Protected Securities	49,777,563	49,777,563	-	-
Loomis Sayles Core Plus Bond Fund	12,392,884	12,392,884	-	-
iShares Core U.S. Aggregate Bond ETF	13,875,176	13,875,176	-	-
iShares Core International Aggregate Bond	2,077,900	2,077,900	-	-
<b>Total Fixed Income Mutual Funds</b>	<b>156,331,105</b>	<b>156,331,105</b>	<b>-</b>	<b>-</b>
<b>TOTAL INVESTMENTS MEASURED AT FAIR VALUE</b>	<b>472,681,666</b>	<b>\$ 472,681,666</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INVESTMENT MEASURED AT CONTRACT VALUE</b>				
<b>Guaranteed Investment Contracts</b>				
Ameritas Stable Value Fund	140,692,516			
<b>TOTAL INVESTMENTS</b>	<b>\$ 613,374,182</b>			

**NOTE 4 ADMINISTRATIVE AND MAINTENANCE FEES**

The Program assessed underlying investment, program management, state fees and an annual maintenance fee. Program management and state (administrative) fees which totaled 0.15% on the principal protected portfolio and 0.30% on all other funds were assessed. Of the total fees, the District receives 0.05% as state (administrative) fees. The annual maintenance fee is generally charged during the month of the first anniversary in which the account was opened and annually thereafter. Account owners who are residents of the District are charged an annual maintenance fee of \$10.00, and non-District residents are charged an annual maintenance fee of \$15.00. The annual maintenance fees are charged on a pro rata basis upon closure of an account. The Program Manager receives the \$10.00 annual maintenance fee charged to District residents. Out of the \$15.00 annual maintenance fee charged to non-District residents, the Program Manager receives \$10 and the District receives \$5.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 4 ADMINISTRATIVE AND MAINTENANCE FEES *(Continued)***

For Fiscal Year 2018, total program management and administrative fees assessed to account owners were \$1,383,310 and \$291,411, respectively. These fees are reflected in the Participant Fund Statement of Changes in Fiduciary Net Position. The District portion of the fees of \$291,411 is also reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. As of September 30, 2018, the total amount not remitted to the District was \$25,360.

For the Fiscal Year 2018, maintenance and enrollment fees reflected in the Participant Fund Statement of Changes in Fiduciary Net Position totaled \$157,965. The District's portion was \$17,901, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. As of September 30, 2018, the total amount not remitted to the District was \$1,145.

The District incurred administrative expenses of \$229,441 in Fiscal Year 2018, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. The expenses were for the professional services and donations for scholarship. At year-end, the Administrative Fund position balance was \$705,100.

**NOTE 5 INVESTMENT EXPENSES**

Investment expenses represent the operating expenses and load fees paid to the broker dealers. Certain fees charged by the investment funds for operating expenses and load fees are reflected in the net appreciation in fair value of investments amount in the Statement of Changes in Fiduciary Net Position. Other underlying investment fees, net of administrative and program management fees (see note 4), ranged from 0.00% to 0.44% (gross of 0.15% to 0.74%) of the fund's average daily net asset value. Underlying investment management fees, net of administrative and program management fees, totaled \$511,075, which is reflected in the Participant Fund Statement of Changes in Fiduciary Net Position.

**NOTE 6 RELATED PARTY TRANSACTIONS**

All the Program's individual portfolios invest in a single underlying mutual fund or ETF managed by a third-party investment manager. The year of enrollment portfolios have a set target allocation and are invested in multiple underlying mutual funds, ETFs as well as the Ameritas Funding Agreement.

Ascensus College Savings monitors and rebalances the underlying asset allocations of the Year of College Enrollment Portfolios on a quarterly basis. The principal protected portfolio invests in a funding agreement issued by Ameritas Life.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 7 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 Position.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*.**

To the Trustee of  
The District of Columbia 529 College Savings Program Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia 529 College Savings Program Participant and Administrative Funds (the “Trust”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements, and have issued our report thereon dated December 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Trust’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC *BCA Watson Rze LLP*  
December 26, 2018