



# City and County of Denver Deferred Compensation Plan Trust Fund

Financial Statements and Independent  
Auditor's Report  
December 31, 2020 and 2019

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

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## **Independent Auditor's Report**

Audit Committee  
City and County of Denver  
Denver, Colorado

### **Report on the Audit of the Basic Financial Statements**

#### ***Opinion***

We have audited the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the City and County of Denver Deferred Compensation Plan Trust Fund (the "Plan"), an other employee benefit trust fund of the City and County of Denver (the "City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2020 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 obtain 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 Matter - 2019 Financial Statements*

The financial statements of the Plan as of and for the year ended December 31, 2019 were audited by ACM LLP ("ACM"), whose partners and professional staff joined BDO USA, LLP as of August 1, 2020 and has subsequently ceased operations. ACM's report dated June 3, 2020 expressed an unmodified opinion on those statements.

*Emphasis of a Matter*

As discussed in Note 1, the financial statements of the Plan are intended to present the fiduciary net position and the changes in fiduciary net position attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2020 and 2019 or the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2021, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Plan's internal control over financial reporting and compliance.

BDO USA, LLP

May 25, 2021

# City and County of Denver Deferred Compensation Plan Trust Fund

## Management's Discussion and Analysis (Unaudited) December 31, 2020 and 2019

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The following is an analysis and overview of the financial activities of the City and County of Denver Deferred Compensation Plan Trust Fund (the "Plan") for the years ended December 31, 2020 and 2019. Please refer to the basic financial statements and accompanying notes to the financial statements for further information.

### *Financial Highlights*

- Fiduciary net position available for benefits of the Plan increased \$109,021,122 to \$889,036,996 and increased \$103,092,309 to \$780,015,874 as of December 31, 2020 and 2019, respectively. The increase in 2020 was due to continued growth in the financial markets resulting in increased investment earnings, as well as a reduction in benefits paid and withdrawals than what occurred in 2019. Due to an outreach to members encouraging them to stay invested in their plan there was a reduction of approximately \$14,000,000 in withdrawals from 2019 to 2020;
- Net investment earnings in 2020 were \$109,905,201 which is a slight decrease from the investment earnings of \$120,173,394 in 2019. This decrease is primarily due to changes in capital market returns. In 2019, the S&P 500's annual total return was 31.49%, while the S&P 500's return in 2020 was 18.40%. Other market indices also experienced proportional outperformance in 2019 as compared to 2020.

### *Overview of the Financial Statements*

The financial statements consist of two parts: management's discussion and analysis ("MD&A") and the financial statements of the Plan, which include the following:

- Statements of Fiduciary Net Position;
- Statements of Changes in Fiduciary Net Position;
- Notes to Financial Statements.

The financial statements report information for all activities of the Plan. The statements of fiduciary net position include the Plan's assets and fiduciary net position available for benefits held in trust for compensation benefits. All of the additions and deductions of the Plan are accounted for in the statements of changes in fiduciary net position.

### *Financial Analysis of the Plan*

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Plan presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Plan's MD&A presents two years of comparative data-the current year and the prior year (*i.e.*, 2020 and 2019).

On December 31, 2020, the Plan's fiduciary net position available for benefits totaled \$889,036,996. This represents an increase of \$109,021,122, or 13.98%, in fiduciary net position available for benefits from December 31, 2019. All of these funds are held in trust for the benefit of employees participating in the Plan.

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Management's Discussion and Analysis (Unaudited)  
December 31, 2020 and 2019**

On December 31, 2019, the Plan's fiduciary net position available for benefits totaled \$780,015,874. This represents an increase of \$103,092,309, or 15.23%, in fiduciary net position available for benefits from December 31, 2018. All of these funds are held in trust for the benefit of employees participating in the Plan.

Employee contributions in 2020 of \$49,463,897 were \$2,027,220 higher than in 2019. Benefits paid to participants and withdrawals were \$49,551,733 in 2020, reflecting a decrease of \$14,287,729 from benefits paid during 2019.

Net investments earnings in 2020 was \$109,905,201, which is a decrease of \$10,268,193 from 2019 net investment earnings of \$120,173,394.

Administrative fees in 2020 and 2019 were \$796,243 and \$678,300, respectively.

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 889,036,996</u>	<u>\$ 780,015,874</u>
Fiduciary net position	<u>889,036,996</u>	<u>780,015,874</u>
Employee contributions and rollovers	<u>49,463,897</u>	<u>47,436,677</u>
Net investment earnings (losses)	<u>109,905,201</u>	<u>120,173,394</u>
Total additions	<u>159,369,098</u>	<u>167,610,071</u>
Benefits paid to participants and withdrawals and transfers	<u>49,551,733</u>	<u>63,839,462</u>
Administrative fees	<u>796,243</u>	<u>678,300</u>
Total deductions	<u>50,347,976</u>	<u>64,517,762</u>
Increase (decrease) in fiduciary net position	<u>109,021,122</u>	<u>103,092,309</u>
Fiduciary net position, January 1	<u>780,015,874</u>	<u>676,923,565</u>
Fiduciary net position, December 31	<u>\$ 889,036,996</u>	<u>\$ 780,015,874</u>

***Requests for Information***

This discussion and analysis is intended to provide an overview of the Plan's financial position as of December 31, 2020 and 2019. Questions about any of the information presented or request for additional information should be addressed to:

City and County of Denver  
Office of the Controller  
201 West Colfax Avenue, Department 1109  
Denver, Colorado 80202

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Statements of Fiduciary Net Position  
December 31, 2020 and 2019**

Assets and Fiduciary Net Position	2020	2019
<b>Investments:</b>		
Mutual funds	\$ 634,942,449	\$ 552,094,905
Synthetic guaranteed investment contracts fund	228,235,042	209,829,644
Self-directed accounts	14,780,134	6,404,849
Total investments	<u>877,957,625</u>	<u>768,329,398</u>
<b>Other Assets:</b>		
Loans to participants	<u>11,079,371</u>	<u>11,686,476</u>
Total asset and fiduciary net position	<u>\$ 889,036,996</u>	<u>\$ 780,015,874</u>

*See Notes to Financial Statements.*



**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Statements of Changes in Fiduciary Net Position  
Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Net investment earnings</b>	<b>\$ 109,905,201</b>	<b>\$ 120,173,394</b>
<b>Additions:</b>		
Employee contributions and rollovers	<u>49,463,897</u>	<u>47,436,677</u>
Total additions	<u>49,463,897</u>	<u>47,436,677</u>
<b>Deductions:</b>		
Benefits paid to participants, withdrawals, and transfers	<u>49,551,733</u>	<u>63,839,462</u>
Administrative fees	<u>796,243</u>	<u>678,300</u>
Total deductions	<u>50,347,976</u>	<u>64,517,762</u>
Increase in fiduciary net position	<b>109,021,122</b>	<b>103,092,309</b>
Fiduciary net position, January 1	<u>780,015,874</u>	<u>676,923,565</u>
Fiduciary net position, December 31	<u><b>\$ 889,036,996</b></u>	<u><b>\$ 780,015,874</b></u>

*See Notes to Financial Statements.*

# City and County of Denver Deferred Compensation Plan Trust Fund

Notes to Financial Statements  
December 31, 2020 and 2019

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## 1. Plan Description and Summary of Significant Accounting Policies

### *Organization and Basis of Presentation*

The City and County of Denver Deferred Compensation Plan Trust Fund (the “Plan” and known to participants of the Plan as Summit Savings) was established by the City and County of Denver (the “City”) on November 17, 1980, to enable public employees to defer a portion of their current income and related income taxes to future years. Under Section 457 of the Internal Revenue Code, amounts deferred and income earned on deferred earnings are not taxable to the participant until made available to the participant, except for Roth deferral contributions, which are made on an after-tax basis.

The City is the trustee of the Plan. The Plan is managed by the Deferred Compensation Committee (the “Committee”) of the City. The Committee, which is appointed by the Mayor and the City Council of the City, has designated a third-party administrator (the “Administrator”): Nationwide Retirement Solutions, Inc. (“Nationwide”) for the Plan to assist in the administration of the Plan, and to account for all deferred compensation, withdrawals, investment income credited, and the individual balance for each participant. In addition, the Administrator executes individual participant agreements, and provides Plan information and counseling to all eligible employees.

Prior to January 1, 2019 the third-party administrator was Teachers Insurance and Annuity Association of America (“TIAA”). In conjunction with the change in administrators the investments and loan balances were transferred in-kind from TIAA to Nationwide on January 16, 2019. In order to facilitate this transition, a blackout period was established and enforced. For the period from January 9, 2019 through January 19, 2019 (the blackout period), participants were unable to direct or diversify investments in their individual accounts or receive a distribution from the Plan.

As of December 31, 2020 the Plan had 7,828 active participants and 3,750 terminated or retired participants that still had a vested interest in the Plan. As of December 31, 2019 the Plan had 7,600 active participants and 3,367 terminated or retired participants that still had a vested interest in the Plan.

The Plan is accounted for as an other employee benefit trust fund in the City’s financial statements in accordance with Governmental Accounting Standard Board (“GASB”) Statement No. 84, *Fiduciary Activities*. The assets of the Plan are reserved solely for deferred compensation benefits.

Trust funds are used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. Trust funds are accounted for using the economic resources measurement focus, and the accompanying financial statements have been prepared on the accrual basis of accounting.

The accompanying financial statements present only the Plan’s financial statements and are not intended to present the financial position or the changes in the financial position of the aggregate remaining fund information of the City in conformity with accounting principles generally accepted in the United States of America.

# City and County of Denver Deferred Compensation Plan Trust Fund

## Notes to Financial Statements December 31, 2020 and 2019

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### *COVID-19 and the CARES Act*

The COVID-19 outbreak was declared a worldwide pandemic on March 11, 2020 by the World Health Organization (“WHO”). The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and contributed to volatility in financial markets. However, because the values of the Plan’s individual investments have and will fluctuate in response to changing, the amount of losses that will be recognized in subsequent periods, if any, and related impact on the Plan’s liquidity cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management has evaluated the relief provisions available to plan participants under the CARES Act and has implemented the following provisions:

- Special coronavirus distributions up to \$100,000;
- Extended the period for loan repayments, if applicable, up to one year;
- Suspended required minimum distributions for 2020.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and fiduciary net position at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

### *Investments*

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value in accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, synthetic guaranteed investment contracts are reported at contract value in the accompanying financial statements.

Net investment earnings (losses), as presented in the statements of changes in fiduciary net position, represent the interest, dividends, realized gains or losses on Plan investments, and the unrealized appreciation or depreciation on Plan investments.

### *Employee Contributions*

Participation in the Plan is voluntary and is open to all eligible City employees. Employees are eligible upon date of hire and can enter into the Plan on the first day of each month. The City does not make contributions to the Plan. Elective pre-tax or after-tax Roth deferral contributions are allowed. The maximum deferral in any one year is generally limited to the lesser of 100% of the participant’s pre-deferral taxable income, or \$19,500 and \$19,000 in 2020 and 2019, respectively.

# City and County of Denver Deferred Compensation Plan Trust Fund

## Notes to Financial Statements December 31, 2020 and 2019

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Those participants age 50 and older may defer an additional \$6,500 and \$6,000 for 2020 and 2019, respectively. However, special provisions, applicable in the last three taxable years before a participant attains normal retirement age under the Plan, or any year thereafter prior to the participant's separation from service, may increase the maximum up to \$39,000 and \$38,000 in 2020 and 2019, respectively.

### ***Benefits Paid to Participants***

Withdrawals from the Plan may be made upon retirement, termination of employment with the City, or in cases of unforeseeable emergencies. Upon death, amounts credited to the participant are paid to the beneficiary designated by the participant or they may elect to defer payments within the limits set by the Internal Revenue Code. The periodic distributions are accounted for as withdrawals in the year disbursed. Withdrawals from participant rollover accounts may be made at any time.

### ***Administrative Fees***

For 2020 and 2019 there was an annual record keeping fee of 75 basis points that was assessed on a monthly basis from each participant's account. Starting in 2020 there was also an annual administrative fee of \$14 per participant that was assessed during the year. Certain other fees for loans or self-directed brokerage account fees are also charged to participants. For years ended December 31, 2020 and 2019, compensation earned by the recordkeeper was approximately \$796,000 and \$678,000, respectively.

Certain other fees and expenses may be charged within the investments (as an expense ratio) and are reflected in net appreciation (depreciation) in fair value of investments.

### ***Tax Status***

The Plan is exempt from federal income taxes under 457(g)(2) of the Internal Revenue Code.

## **2. Investments**

Investment decisions are made by the participants from a range of available mutual funds that include various domestic and international equity funds, fixed income funds (which invest in corporate debt, U.S. government and agency obligations), model portfolio/target date funds, a custom stable value fund managed exclusively for the Plan, or a self-directed brokerage account option. Investments within the funds are primarily diversified by (1) geographic area primarily within the U.S., (2) industry group, and (3) sensitivity to general economic cycles, and generally uncollateralized ownership in, or lending to, publicly held corporations traded on the U.S. stock exchanges. Depending on the investments, there may be exposure to various risks, including interest rate risk, credit quality risk, and foreign currency risk. Participants investing in mutual funds receive a prospectus, which details the various types of risk to which the investment is exposed. All earnings (interest, dividend income, and capital gains or losses) are reinvested in the funds according to the participants' investment elections.

Plan investment assets of \$649,722,583 and \$558,499,754 are recorded within the Plan at fair value as of December 31, 2020 and 2019, respectively. Synthetic guaranteed investment contracts of \$228,235,042 and \$209,829,644 are recorded within the Plan at contract value as of December 31, 2020 and 2019, respectively.

## City and County of Denver Deferred Compensation Plan Trust Fund

### Notes to Financial Statements December 31, 2020 and 2019

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the Plan. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The Plan's investment policy does not specifically address custodial credit risk. Custodial credit risk is the risk that in the event of bank or investment failure, the Plan's deposits or investments may not be returned. However, all of the Plan's investments and deposits are held in open-ended mutual funds or the stable value fund which are not subject to custodial risk.

As of December 31, 2020, the Plan had the following investments in debt and equity instruments and investment contracts:

Investment Type	Value	Rating (Moody's)
Bond and open-end equity mutual funds	\$ 634,942,449	Unrated
Synthetic guaranteed investment contracts fund	228,235,042	*
Self-directed accounts	<u>14,780,134</u>	Unrated
Total Investments	<u>\$ 877,957,625</u>	

As of December 31, 2019, the Plan had the following investments in debt and equity instruments and investment contracts:

Investment Type	Value	Rating (Moody's)
Bond and open-end equity mutual funds	\$ 552,094,905	Unrated
Synthetic guaranteed investment contracts fund	209,829,644	*
Self-directed accounts	<u>6,404,849</u>	Unrated
Total Investments	<u>\$ 768,329,398</u>	

\*The synthetic guaranteed investment contract is reported at contract value and is comprised of the following wrap providers, as rated by Moody's: Transamerica Premier Life Insurance Company, A1; Mass Mutual Life Insurance Company, Aa3; American General Life Insurance Company, A2; Prudential Insurance Company of America, Aa3; and Nationwide Life Insurance Company, A1.

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Notes to Financial Statements  
December 31, 2020 and 2019**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan’s investment in a single issuer. Investments exceeding 5% of the Plan’s fiduciary net position as of December 31, 2020 and 2019 are presented below:

Investment Type	2020	2019
Synthetic guaranteed investment contracts fund	\$ 228,235,042 *	\$ 209,829,644 *
Vanguard Institutional Index	110,788,839	106,074,495
MainStay Winslow Large Cap Grade R6	50,464,103	- **
Hartford Capital Appreciation Fund	\$ 48,246,051	\$ 44,898,357

\*Synthetic guaranteed investment contract is reported at contract value.

\*\* Investment was below 5% as of December 31, 2019.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. At December 31, 2020 and 2019 the Plan held \$59,353,801 and \$48,456,150, respectively, in fixed income mutual funds. The weighted average maturity of these funds were 7.88 years and 7.52 years, respectively.

Foreign currency risk is the risk that changes in exchange rates that could adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds that invest outside the U.S. The total fair value of those international funds for with the Plan is indirectly exposed to foreign currency risk is disclosed in Note 3.

The Plan’s advisory committee regularly reviews the Plan’s investment products’ risk characteristics to ensure each is performing at an acceptable level.

### **3. Fair Value Measurements**

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels.

Level 1- Investments reflect prices quoted in active markets;

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active;

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk. Debt, equity and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Notes to Financial Statements  
December 31, 2020 and 2019**

The following tables set forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis:

Investments measured at fair value as of December 31, 2020:

<i>Investments by Fair Value Level</i>	Level 1	Level 2	Level 3	Total
<b>Equity Securities:</b>				
International equity funds	\$ 59,417,579	\$ -	\$ -	\$ 59,417,579
Domestic equity funds	343,308,958	-	-	343,308,958
Emerging markets funds	12,198,041	-	-	12,198,041
Socially responsible fund	1,711,432	-	-	1,711,432
<b>Debt Securities:</b>				
Fixed income funds	59,353,801	-	-	59,353,801
<b>Other Securities:</b>				
Model/target date funds	158,952,637	-	-	158,952,637
Self-directed brokerage account (a)	14,780,135	-	-	14,780,135
<b>Total investments by fair value level</b>	<b>\$ 649,722,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 649,722,583</b>

(a) Investments held in the self-directed brokerage account consist largely of common stock and mutual funds.

Investments measured at fair value as of December 31, 2019:

<i>Investments by Fair Value Level</i>	Level 1	Level 2	Level 3	Total
<b>Equity Securities:</b>				
International equity funds	\$ 54,550,711	\$ -	\$ -	\$ 54,550,711
Domestic equity funds	312,661,037	-	-	312,661,037
Emerging markets funds	11,928,821	-	-	11,928,821
Socially responsible fund	1,044,282	-	-	1,044,282
<b>Debt Securities:</b>				
Fixed income funds	48,456,150	-	-	48,456,150
<b>Other Securities:</b>				
Model/target date funds	123,453,904	-	-	123,453,904
Self-directed brokerage account (a)	6,404,849	-	-	6,404,849
<b>Total investments by fair value level</b>	<b>\$ 558,499,754</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 558,499,754</b>

(a) Investments held in the self-directed brokerage account consist largely of common stock and mutual funds.

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Notes to Financial Statements  
December 31, 2020 and 2019**

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**4. Synthetic Guaranteed Investment Contracts**

An option in the City’s deferred compensation plan includes a custom stable value fund that includes synthetic guaranteed investment contracts (“SGIC’s”). The contracts provide a stable rate of return to the participants. The fair value of these contracts at December 31, 2020 estimated by the respective insurance companies is \$238,992,223 and the contract value, the value at which participant initiated transactions occur, is \$228,235,042.

<u>SGIC Components</u>	<u>Fair Value</u>
Underlying investments	\$ 238,992,223
Wrapper	-
Total	<u>\$ 238,992,223</u>

The average yield based on actual earnings was 0.66% for the year ended December 31, 2020. Average yield based on interest rates credited to participants was 2.34% for the year ended December 31, 2020.

The fair value of these contracts at December 31, 2019 estimated by the respective insurance companies is \$214,765,207 and the contract value, the value at which participant initiated transactions occur, is \$209,829,644.

<u>SGIC Components</u>	<u>Fair Value</u>
Underlying investments	\$ 214,765,207
Wrapper	-
Total	<u>\$ 214,765,207</u>

The average yield based on actual earnings was 2.12% for the year ended December 31, 2019. Average yield based on interest rates credited to participants was 2.91% for the year ended December 31, 2019.

**5. Employee Contributions and Rollovers**

Employee contributions are recognized when withheld from the participants and include contributions and transfers of funds from other eligible deferred compensation plans to the Plan by City employees. Employee contributions totaled \$49,463,897 and \$47,436,677 for the years ended December 31, 2020 and 2019, respectively.

**6. Benefits Paid to Participants, Withdrawals, and Transfers**

Benefits paid to participants and withdrawals include amounts paid to participants, beneficiaries and transfers of funds to other eligible plans. Benefits paid to participants and transfers totaled \$49,551,733 and \$63,839,462 for the years ended December 31, 2020 and 2019, respectively.



# City and County of Denver Deferred Compensation Plan Trust Fund

Notes to Financial Statements  
December 31, 2020 and 2019

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## 7. Plan Termination and Amendments

The City can at any time elect to amend, modify or terminate the Plan. No amendments will deprive the participants of any benefits they were entitled to prior to the change. If the Plan is terminated, all amounts then credited to the participants are to be paid out by the administrators under the normal withdrawal requirements and procedures.

## 8. Loan Participation Program

Loans from the Plan to a participant are permitted only as allowed by Section 72(p)(2) and Section 457 of the code and applicable U.S. Treasury Regulations, and only to the extent set forth in the Plan's Participant Loan Program Document as approved by the Committee. Proceeds for participant loans and any loan fees are withdrawn from the participant's account under the Plan against all available investment choices (except the self-directed brokerage account) and from each contribution source on a pro-rata basis.

Loan eligibility requirements for participants are as follows:

- a) The eligible borrower must be an active employee of the City;
- b) The eligible borrower does not currently have a loan outstanding and is not in default on any previous loan under the Plan;
- c) The eligible borrower has an account balance of at least \$2,000.

Loans may be granted for housing and non-housing purposes. The minimum loan amount that can be borrowed is \$1,000, and the maximum loan amount is the lesser of 50% of the vested account balance of the participant, or \$50,000 (reduced by the highest outstanding balance during the last 12 months of all loans made from the Plan). Interest rates for housing and non-housing are established by the Plan's product provider and as presented to the Committee as of the last business day of the previous business month. Interest rates are determined at the commencement of the loan and apply for the entire life of the loan. Non-housing and housing loans have a maximum term of five and twenty years, respectively. All loans are covered by demand notes and are payable through payroll withholding.

Loans are measured at their unpaid principal balance. As of December 31, 2020 and 2019, the total outstanding loan balances were \$11,079,371 and \$11,686,476, respectively. Interest rates ranged from 4.00% to 9.00% as of December 31, 2020 and 2019.

## 9. Related Party Transactions

Certain eligible City employees can transfer amounts from this Plan to the Denver Employees Retirement Plan or the Fire & Police Association of Colorado defined benefit system if certain criteria are met. These entities are considered related parties to the City and County of Denver. Transfers to these plans for the years ended December 31, 2020 and 2019 were \$3,548,371 and \$2,564,159.

**City and County of Denver  
Deferred Compensation Plan Trust Fund**

**Notes to Financial Statements  
December 31, 2020 and 2019**

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**10. Subsequent Events**

The plan has evaluated subsequent events through May 25, 2021, the date the financial statements were available to be issued. There were no events or transactions discovered during this evaluation that require recognition or disclosure in the financial statements.



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Audit Committee  
City and County of Denver  
Denver, Colorado

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 basic financial statements of the City and County of Denver Deferred Compensation Plan Trust Fund (the "Plan"), another employee trust fund of the City and County of Denver (the "City"), which comprise the statement of fiduciary net position as of December 31, 2020, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2021, which contained an "Emphasis of Matter" paragraph for the identification of the financial statements as individual fund financial statements not representing the City as a whole.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 25, 2021