

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

**Independent Auditor's Report  
and Financial Statements**

**December 31, 2022 and 2021**



**City and County of Denver**  
**Deferred Compensation Plan Trust Fund**  
December 31, 2022 and 2021

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## Independent Auditor's Report

Audit Committee  
City and County of Denver  
Denver, Colorado

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the City and County of Denver Deferred Compensation Plan Trust Fund (the Plan), an employee benefit trust fund of the City and County of Denver (the City), as of and for the years ended December 31, 2022 and 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of December 31, 2022, and 2021, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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 (*Government Auditing Standards*). 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.

#### **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, 2022 and 2021 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.

### ***Responsibilities of Management 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, 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 for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 opinions. 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.

Audit Committee  
City and County of Denver

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.

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 May 23, 2023, 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 solely 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 the effectiveness of the Plan's 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.

**FORVIS,LLP**

Denver, Colorado  
May 23, 2023

**City and County of Denver**  
**Deferred Compensation Plan Trust Fund**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2022 and 2021**

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, 2022 and 2021. 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 decreased \$154,813,170 to \$824,411,544 and increased \$90,187,718 to \$979,224,714 as of December 31, 2022 and 2021, respectively. The decrease in 2022 from 2021 was due to a decline in the financial markets, which resulted in an overall decrease in investment earnings.
- Net investment earnings (loss) in 2022 were \$(143,166,386), which is a decrease from the investment earnings of \$110,362,216 in 2021.

***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***

On December 31, 2022, the Plan's fiduciary net position available for benefits totaled \$824,411,544. This represents a decrease of \$154,813,170, or 15.81%, in fiduciary net position available for benefits from December 31, 2021. All of these funds are held in trust for the benefit of employees participating in the Plan.

On December 31, 2021, the Plan's fiduciary net position available for benefits totaled \$979,224,714. This represents an increase of \$90,187,718, or 10.14%, in fiduciary net position available for benefits from December 31, 2020. 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**  
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Employee contributions in 2022 of \$56,603,110 were \$4,426,155 higher than in 2021. Benefits paid to participants and withdrawals were \$67,419,704 in 2022, reflecting a decrease of \$4,034,448 from benefits paid during 2021.

Net investments earnings (loss) in 2022 was \$(143,166,386), which is a total change of \$(253,528,602) from 2021.

Administrative fees in 2022 and 2021 were \$830,190 and \$897,301, respectively.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total assets	\$ 824,411,544	\$ 979,224,714	\$ 889,036,996
Fiduciary net position	824,411,544	979,224,714	889,036,996
Employee contributions	56,603,110	52,176,955	49,463,897
Net investment earnings	(143,166,386)	110,362,216	109,905,201
Total additions (reductions)	(86,563,276)	162,539,171	159,369,098
Benefits paid to participants and withdrawals	67,419,704	71,454,152	49,551,733
Administrative fees	830,190	897,301	796,243
Total deductions	68,249,894	72,351,453	50,347,976
Increase in fiduciary net position	(154,813,170)	90,187,718	109,021,122
Fiduciary net position, January 1	979,224,714	889,036,996	780,015,874
Fiduciary net position, December 31	<u>\$ 824,411,544</u>	<u>\$ 979,224,714</u>	<u>\$ 889,036,996</u>

***Requests for Information***

This discussion and analysis is intended to provide an overview of the Plan’s financial position as of December 31, 2022 and 2021. 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, 2022 and 2021**

**Assets and Fiduciary Net Position**

	<u>2022</u>	<u>2021</u>
<b>Investments</b>		
Mutual funds	\$ 598,497,319	\$ 742,871,396
Synthetic guaranteed investment contracts fund	201,655,907	205,506,474
Self-directed accounts	<u>15,176,574</u>	<u>20,489,501</u>
Total investments	<u>815,329,800</u>	<u>968,867,371</u>
<b>Other Assets</b>		
Loans to participants	<u>9,081,744</u>	<u>10,357,343</u>
Total assets and fiduciary net position	<u>\$ 824,411,544</u>	<u>\$ 979,224,714</u>



**City and County of Denver**  
**Deferred Compensation Plan Trust Fund**  
**Statements of Changes in Fiduciary Net Position**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Additions</b>		
Employee contributions	\$ 56,603,110	\$ 52,176,955
Net investment earnings	<u>(143,166,386)</u>	<u>110,362,216</u>
Total additions	<u>(86,563,276)</u>	<u>162,539,171</u>
<b>Deductions</b>		
Benefits paid to participants	67,419,704	71,454,152
Administrative expenses	<u>830,190</u>	<u>897,301</u>
Total deductions	<u>68,249,894</u>	<u>72,351,453</u>
<b>Net Increase (Decrease)</b>	(154,813,170)	90,187,718
<b>Net Position Available for Benefits, Beginning of Year</b>	<u>979,224,714</u>	<u>889,036,996</u>
<b>Net Position Available for Benefits, End of Year</b>	<u><u>\$ 824,411,544</u></u>	<u><u>\$ 979,224,714</u></u>

**City and County of Denver**  
**Deferred Compensation Plan Trust Fund**  
**Notes to Financial Statements**  
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**Note 1: Description of the Plan**

***Organization and Basis of Presentation***

The City and County of Denver Deferred Compensation Plan Trust Fund (the Plan), 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 Denver Deferred Compensation Committee (the Committee) of the City. The Committee, which is appointed by the Mayor and 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.

As of December 31, 2022, the Plan had 7,967 active participants and 4,766 terminated or retired participants that still had a vested interest in the Plan. As of December 31, 2021, the Plan had 7,825 active participants and 4,323 terminated or retired participants that still had a vested interest in the Plan.

The Plan is accounted for as another employee benefit trust fund in the City's financial statements in accordance with Governmental Accounting Standards 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**  
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***Contributions***

Participation in the Plan is voluntary and is open to all 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 \$20,500 in 2022 and 2021. Those participants age 50 and older may save an additional \$6,500 for 2022 and 2021. 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 \$41,000 in 2022 and 2021.

***Loans Receivable from Participants***

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% percent of their account balance. The loans are secured by the balance in the participant's account. The loan interest rate, determined quarterly, is set at 1% percent above the prime rate, as defined. Principal and interest is paid ratably through monthly payroll deductions.

***Payment of Benefits***

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 2022 and 2021, there was an annual record keeping fee of 7.5 basis points (0.075%) that was assessed on a monthly basis from each participant's account. It is assessed against all funds in the core menu (excluding brokerage) on the last day of each month. An annual administrative fee was assessed per participant of \$11 for 2022 and \$12 for 2021. The transaction is captured in the quarterly statements. For the years ended December 31, 2022 and 2021, compensation earned by the recordkeeper was approximately \$830,000 and \$897,000, 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.

**City and County of Denver**  
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**Note 2: Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements are prepared on the accrual basis of accounting.

Investments held by a defined contribution plan are required to be reported at fair value, except for fully benefit-responsive investment contracts. Contract value is the relevant measure for the portion of net position available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

***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 net position, changes in net position and the disclosure of contingent assets and liabilities at the date of the financial statements. 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 the 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.

***Loans Receivable from Participants***

Loans receivable from participants are reported at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

***Payment of Benefits***

Benefit payments to participants are recorded upon distribution.

# City and County of Denver Deferred Compensation Plan Trust Fund

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 3: Investments

Investment decisions are made by 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, and 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 investment, 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 \$613,673,893 and \$763,360,897 are recorded within the Plan at fair value as of December 31, 2022 and 2021, respectively. Synthetic guaranteed investment contracts of \$201,655,907 and \$205,506,474 are recorded within the Plan at contract value as of December 31, 2022 and 2021, respectively.

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, 2022, the Plan had the following investments in debt and equity instruments and investment contracts:

Investment Type	Fair Value	Rating (Moody's)
Bond and open-end equity mutual funds	\$ 598,497,319	Unrated
Synthetic guaranteed investment contracts fund	201,655,907	*
Self-directed accounts	<u>15,176,574</u>	Unrated
Total investments - excluding loans to participants	<u>\$ 815,329,800</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.

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As of December 31, 2021, the Plan had the following investments in debt and equity instruments and investment contracts:

Investment Type	Fair Value	Rating (Moody's)
Bond and open-end equity mutual funds	\$ 742,871,396	Unrated
Synthetic guaranteed investment contracts fund	205,506,474	*
Self-directed accounts	<u>20,489,501</u>	Unrated
Total investments - excluding loans to participants	<u>\$ 968,867,371</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.

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% or more of total investments as of December 31, 2022 and 2021 are presented below:

Investment Type	Fair Value 2022	Fair Value 2021
Synthetic guaranteed investment contracts fund	\$ 201,655,907 *	\$ 205,506,474 *
Vanguard Institutional Index	\$ 107,621,796	\$ 137,955,267
MainStay Large Cap Growth R6	\$ 39,411,366	\$ 60,599,937
Dodge & Cox Stock Fund	\$ 42,484,557	\$ -
The Hartford Capital Appreciation fund	\$ 41,405,218	\$ 52,760,423

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

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, 2022 and 2021, the Plan held \$42,017,859 and \$52,470,908, respectively, in fixed income mutual funds. The weighted average maturity of these funds were 8.59 years and 8.60 years, respectively.

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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 which the Plan is indirectly exposed to foreign currency risk is disclosed in Note 4.

The Plan's Deferred Compensation Committee regularly reviews the Plan's investment products' risk characteristics to ensure each is performing at an acceptable level.

**Note 4: 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** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

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, 2022 and 2021

### Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

	<b>December 31, 2022</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</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>
Equity Securities				
International equity funds	\$ 48,877,504	\$ 48,877,504	\$ -	\$ -
Domestic equity funds	317,960,329	317,960,329	-	-
Emerging markets funds	8,739,429	8,739,429	-	-
Debt securities				
Fixed income funds	42,017,859	42,017,859	-	-
Other securities				
Model/target date funds	180,902,198	180,902,198	-	-
Self-directed brokerage account *	<u>15,176,574</u>	<u>15,176,574</u>	<u>-</u>	<u>-</u>
Investments at fair value	<u>\$ 613,673,893</u>	<u>\$ 613,673,893</u>	<u>\$ -</u>	<u>\$ -</u>

\* Investments held in the self-directed brokerage account consist largely of common stock and mutual funds.



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	December 31, 2021			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
International equity funds	\$ 63,234,725	\$ 63,234,725	\$ -	\$ -
Domestic equity funds	417,757,549	417,757,549	-	-
Emerging markets funds	11,549,991	11,549,991	-	-
Debt securities				
Fixed income funds	52,470,908	52,470,908	-	-
Other securities				
Model/target date funds	197,858,223	197,858,223	-	-
Self-directed brokerage account *	20,489,501	20,489,501	-	-
Investments at fair value	<u>\$ 763,360,897</u>	<u>\$ 763,360,897</u>	<u>\$ -</u>	<u>\$ -</u>

\* Investments held in the self-directed brokerage account consist largely of common stock and mutual funds.

**Note 5: 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 (SGICs). The contracts provide a stable rate of return to the participants. The fair value of these contracts at December 31, 2022, estimated by the respective insurance companies, is \$187,624,669 and the contract value – the value at which participant-initiated transactions occur – is \$201,655,907.

SGIC Components	2022 Fair Value
Underlying Investments	\$ 187,624,669
Wrapper	-
Total	<u>\$ 187,624,669</u>

**City and County of Denver**  
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The average yield based on actual earnings was 5.04% for the year ended December 31, 2022. The average yield based on interest rates credited to participants was 2.37% for the year ended December 31, 2022.

The fair value of these contracts at December 31, 2021, estimated by the respective insurance companies, was \$209,968,228 and the contract value – the value at which participant-initiated transactions occur – is \$205,506,474.

<b>SGIC Components</b>	<b>2021 Fair Value</b>
Underlying Investments	\$ 209,968,228
Wrapper	-
Total	\$ 209,968,228

The average yield based on actual earnings was 1.32% for the year ended December 31, 2021. The average yield based on interest rates credited to participants was 1.89% for the year then ended.

**Note 6: Employee Contributions and Rollovers**

Employee contributions are recognized when withheld from the participants and include contributions and transfers of funds from other eligible plans to the Plan by City employees. Employee contributions totaled \$56,603,110 and \$52,176,955 for the years ended December 31, 2022 and 2021, respectively.

**Note 7: 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 \$67,419,704 and \$71,454,152 for the years ended December 31, 2022 and 2021, respectively.

**Note 8: 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.

**City and County of Denver**  
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**Note 9: 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 a self-directed brokerage account) and from each contribution source on a pro-rata basis.

Loan eligibility requirements for participants are as follows:

1. The eligible borrower must be an active employee of the City;
2. The eligible borrower does not currently have a loan outstanding and is not in default on any previous loan under the Plan; and
3. 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. 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 20 years, respectively. All loans are covered by demand notes and are payable through payroll withholdings.

Loans are measured at their unpaid principal balance. As of December 31, 2022 and 2021, the total outstanding loan balances were \$9,081,744 and 10,357,343, respectively. Interest rates ranged from 4.00% to 9.00% as of December 31, 2022 and 2021.

**Note 10: 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, 2022 and 2021 were \$2,238,233 and \$3,010,817, respectively.



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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
the Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Independent Auditor's Report**

Audit Committee  
City and County of Denver  
Denver, Colorado

We have audited, 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, the financial statements of the City and County of Denver Deferred Compensation Plan Trust Fund (the Plan), an other employee trust fund of the City and County of Denver (the City), which comprise the Plan's statements of fiduciary net position as of December 31, 2022, and the related statements 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 23, 2023, which contained an "Emphasis of a Matter" paragraph for the identification of the financial statements as individual fund financial statements not representing the City as a whole.

***Report on 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 entity'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.

Audit Committee  
City and County of Denver

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 or significant deficiencies may exist that were not identified.

### ***Report on 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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Denver, Colorado  
May 23, 2023