

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-7
Statement of Fiduciary Net Position as of December 31, 2021	8
Statement of Changes in Fiduciary Net Position for the year ended December 31, 2021	9
Notes to Financial Statements	10-19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21



## INDEPENDENT AUDITORS' REPORT

The Board of Water Commissioners, City and County of Denver, Colorado  
Denver Water Supplemental Retirement Savings Plan  
Denver, Colorado

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of fiduciary net position and statement of changes in fiduciary net position of the Denver Water Supplemental Retirement Savings Plan (the Plan), as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2021, and the changes in fiduciary net position for the year 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. Our responsibilities under those standards are further described in the Auditors' 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 opinions.

#### *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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' 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 auditors' 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.

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 management's discussion and analysis 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 April 21, 2022, 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.



**CliftonLarsonAllen LLP**

Denver, Colorado  
April 21, 2022

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Management's Discussion and Analysis

December 31, 2021

(Unaudited)

This is an analysis and overview of the financial activities of the Denver Water Supplemental Retirement Savings Plan (SRSP) for the year ended December 31, 2021. This information should be read in conjunction with the financial statements and notes, which follow.

**Financial Highlights**

As of December 31, 2021, \$157.4 million was held in trust for the payment of SRSP benefits to the participants as compared to \$138.0 million in 2020. This represents an increase in total SRSP fiduciary net position held in trust of \$19.4 million or 14.1%.

Additions to the SRSP fiduciary net position for 2021 included participant contributions of \$5.2 million and participant rollovers of \$759 thousand. The Denver Board of Water Commissioners' (Board) matching contributions in 2021 were \$2.3 million and the net investment income was \$19.2 million.

Total deductions from the SRSP fiduciary net position were \$8.1 million in 2021. The deductions comprised of retirement benefit payments of \$7.9 million, participant investment advisory fees of \$88 thousand, and administrative expenses of \$56 thousand. Total deductions in 2021 were 59.9% more than those in 2020.

The SRSP is a defined contribution plan and its purpose is to enable the participants to accumulate financial assets for their retirement. The Board matches 100% of employee contributions up to 3% of the participating employees' published hourly base pay and salary.

As of December 31, 2021, there were 1,000 employees eligible to participate in the SRSP, of which 880 employees were contributing to the SRSP, or 88% of all eligible Denver Water employees.

**Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the SRSP financial statements, which follow. The SRSP financial statements includes:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to Financial Statements

The Statement of Fiduciary Net Position presents the SRSP assets, liabilities, and fiduciary net position as of December 31, 2021. The Statement of Changes in Fiduciary Net Position shows the additions to and deductions from SRSP fiduciary net position during 2021.

These financial statements provide a snapshot of the SRSP assets and liabilities as of December 31<sup>st</sup> and the activities which occurred during the year presented. The financial statements were prepared using the accrual basis of accounting as required by GASB. All investment activities have been reported based on the trade dates and have been valued based on independent outside sources.

The Notes to Financial Statements provide additional information, which is essential to have a full understanding of the basic financial statements.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Management's Discussion and Analysis

December 31, 2021

(Unaudited)

**Financial Analysis**

The following section provides further detail of the activities within the SRSP as well as additions and deductions to the Plan. Additions to the SRSP consist of participant and employer contributions, participant rollovers, interest income on outstanding participant loans, miscellaneous income and net investment income. Deductions from the Plan are comprised of benefit payments to participants, administrative expenses, and participant investment advisory fees. Comparative financial schedules depict the changes between the years 2021 and 2020.

As of December 31, the SRSP's fiduciary net position was:

	<b>Fiduciary Net Position</b>			
	(In thousands)			
	<b>Years ended December 31</b>		<b>2021 – 2020</b>	
	<b>2021</b>	<b>2020</b>	<b>Increase (decrease)</b>	<b>Percentage change</b>
Mutual funds	\$ 135,718	\$ 120,366	\$ 15,352	12.8%
Commingled funds	17,219	13,005	4,214	32.4
Money market fund	2,431	2,793	(362)	(13.0)
Total investments	<u>155,368</u>	<u>136,164</u>	<u>19,204</u>	<u>14.1</u>
Receivables:				
Contributions	121	99	22	22.2
Participant loans	1,914	1,730	184	10.6
Total receivables	<u>2,035</u>	<u>1,829</u>	<u>206</u>	<u>11.3</u>
Total assets	157,403	137,993	19,410	14.1
Total liabilities	24	18	6	33.3
Fiduciary net position	<u>\$ 157,379</u>	<u>\$ 137,975</u>	<u>\$ 19,404</u>	<u>14.1%</u>

**SRSP Activities**

The fiduciary net position increased by \$19.4 million or 14.1% in 2021 over 2020. Additional details for the change in fiduciary net position are discussed on the following pages.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Management's Discussion and Analysis

December 31, 2021

(Unaudited)

**Additions**

The money used to pay benefits is accumulated from the contributions made by the Board and each participant and from income generated by investments, including investment valuation appreciation, interest, and dividends. Earnings on investments are reported net of investment management expenses. The Board's matching contributions for 2021 were \$2.3 million and the net investment income was \$19.2 million. The increase of net investment income from 2020 to 2021 was primarily due to the appreciation of the fair value of investments.

<b>Additions to Fiduciary Net Position</b>				
(In thousands)				
	<b>Years ended December 31</b>		<b>2021 – 2020</b>	
	<b>2021</b>	<b>2020</b>	<b>Increase (decrease)</b>	<b>Percentage change</b>
Employer contributions	\$ 2,264	\$ 2,241	\$ 23	1.0%
Participant contributions	5,204	4,898	306	6.2
Participant rollovers	759	474	285	60.1
Participant interest on loans	86	85	1	1.2
Miscellaneous income	12	13	(1)	(7.7)
Net investment income	19,167	16,455	2,712	16.5
Total additions	<u>\$ 27,492</u>	<u>\$ 24,166</u>	<u>\$ 3,326</u>	<u>13.8%</u>

**Deductions**

Benefits paid to participants during the year represent the majority of the deductions from the SRSP. In 2021, benefits paid were \$7.9 million, an increase of 62.0% compared to 2020. The change in the amount of benefit payments from year to year is attributed to the number of participants choosing to take lump-sum distributions at retirement in any one year and to changes in the number of participants receiving benefits in the SRSP.

Administrative expenses for the SRSP were \$56 thousand in 2021. Administrative fees are calculated based upon a percentage of the fair value of investments. The SRSP is charged an explicit fee for recordkeeping and communication services. Effective December 30, 2020, the agreement with Empower Retirement was amended which reduced the annual administrative fee from 0.08% to 0.04%. The fees are payable on a monthly basis, based on the average daily balance of the SRSP assets during the assessment period from the participant's account. Total administrative expenses were \$37 thousand less in 2021 as compared to 2020. The reduction in expenses were due to the adjustment of the SRSP administrative expenses. In 2021, participant investment advisory fees were \$88 thousand. Please refer to Note 4 of the financial statements for information regarding administrative expenses.

<b>Deductions from Fiduciary Net Position</b>				
(In thousands)				
	<b>Years ended December 31</b>		<b>2021 – 2020</b>	
	<b>2021</b>	<b>2020</b>	<b>Increase (decrease)</b>	<b>Percentage change</b>
Benefits paid to participants	\$ 7,944	\$ 4,903	\$ 3,041	62.0%
Administrative expenses	56	93	(37)	(39.8)
Participant investment advisory fees	88	63	25	39.7
Total deductions	<u>\$ 8,088</u>	<u>\$ 5,059</u>	<u>\$ 3,029</u>	<u>59.9%</u>

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Management's Discussion and Analysis

December 31, 2021

(Unaudited)

**Requests for Information**

This discussion and analysis is designed to provide a general overview of the SRSP fiduciary net position and changes in fiduciary net position as of December 31, 2021 and for the year then ended. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Treasurer  
Denver Water  
1600 W. 12th Ave.  
Denver, CO 80204

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Statement of Fiduciary Net Position  
December 31, 2021  
(In thousands)

Assets:	<u>2021</u>
Investments, at fair value:	
Mutual funds	135,718
Commingled funds	17,219
Money market fund	<u>2,431</u>
Total investments	<u>155,368</u>
Receivables:	
Employer contributions	\$ 37
Participant contributions	84
Participant loans	<u>1,914</u>
Total receivables	<u>2,035</u>
Total assets	<u>157,403</u>
Liabilities:	
Accrued advisory fees	<u>24</u>
Fiduciary net position	<u>\$ 157,379</u>

See accompanying notes to financial statements.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Statement of Changes in Fiduciary Net Position  
Year ended December 31, 2021  
(In thousands)

	<b>2021</b>
Additions:	
Investment income:	
Net appreciation in fair value of investments	\$ 14,084
Dividends	5,083
Net investment income	19,167
Contributions:	
Employer contributions	2,264
Participant contributions	5,204
Participant rollovers	759
Total contributions	8,227
Other additions:	
Participant interest on loans	86
Miscellaneous income	12
Total other additions	98
Total additions	27,492
Deductions:	
Benefits paid to participants	7,944
Administrative expenses	56
Participant investment advisory fees	88
Total deductions	8,088
Net increase	19,404
Fiduciary net position:	
Beginning of year	137,975
End of year	\$ 157,379

See accompanying notes to financial statements.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

**(1) Plan Description**

The Board of Water Commissioners, City and County of Denver, Colorado (the Board), adopted the Denver Water Supplemental Retirement Savings Plan (SRSP) in 1999. The Board operates a water utility created by the Charter of the City and County of Denver, Colorado.

The Board is made up of five members appointed by the Mayor of the City and County of Denver for staggered six-year terms. The Board is the sponsor of the Plan. The Board has delegated certain responsibilities regarding the Plan administration through a delegation resolution to the Director of Human Resources and to the Chief Finance Officer. The delegation resolution instructs the CEO/Manager to create an advisory committee, with representation from the Finance, Human Resources, and Legal divisions, for the purpose of making recommendations to the CEO/Manager, the Chief Finance Officer and the Director of Human Resources regarding the Retirement Program, including this SRSP. The advisory committee, in and of itself, has no decision-making authority.

The Board has engaged Great West Life & Annuity Insurance Company d/b/a Empower Retirement (Empower Retirement) to provide recordkeeping and communication services for the Plan. The Board retained investment consultant experts to monitor and recommend changes in the investment options included in the Plan.

The following description of the SRSP provides only general information. Participants and all others should refer to the SRSP Plan Document for a more complete description of the SRSP provisions.

**(a) General**

The SRSP is a defined contribution plan covering all regular and discretionary employees of Denver Water who have completed the required introductory period and is qualified under section 401(a) paragraph (k) in accordance with the regulations of the Internal Revenue Code of 1986, as amended (IRC). The purpose of the SRSP is to provide supplemental retirement and other related benefits for eligible employees. The SRSP and the trust established by the SRSP are maintained for the exclusive purpose of providing benefits to eligible employees and their beneficiaries, and for defraying reasonable administrative expenses. The SRSP provisions and contribution requirements are established and may be amended by the Board.

The SRSP is exempt from compliance with the Employee Retirement Income Security Act of 1974, as amended, as it is a governmental plan.

**(b) Contributions**

Each year a participant may contribute up to 97% of pretax annual compensation, but not less than \$10 per pay period up to an annual maximum amount as codified by the Internal Revenue Service (IRS). Participants direct the investment of their contributions into various investment options offered by the SRSP. The Board makes a matching contribution in an amount equal to 100% of the first 3% of the participant's compensation for the applicable payroll period to the SRSP. The matching contribution is allocated to the participants' accounts and is participant-directed. The employer may suspend, reduce or eliminate future employer contributions and may rescind such action at any time. The SRSP was amended in 2013 to authorize employer discretionary contributions to qualifying participants.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

Employer contributions must be made no later than the last day of the Plan year for which the contribution is made. Although it has not expressed any intent to do so, the Board may change the amount of or discontinue the matching or employer discretionary contribution at any time.

**(c) Participant Accounts**

Each participant's account reflects the cumulative amount of each participant's contribution along with the employer's matching and discretionary contributions (if any) including any income, gains, losses, and increases or decreases in fair value attributable to the investment of contributions, and further reflects any distributions to the participant or his or her beneficiary and any fees or expenses charged against the participant's account. The amount of the employer discretionary contribution, if any, for a Plan year is determined by the employer, and subject to Treasury Regulations under IRS Code §415 and 401(a)(17).

**(d) Vesting**

A participant's interest in their participant and employer matching contributions and related earnings thereon is fully vested and non-forfeitable.

Any discretionary contributions to qualifying participants and related earnings become fully vested upon completing seven years of service, the qualifying participant attaining the age of 65 while employed by the employer, by termination due to the qualifying participant's death or disability, by termination of employment due to serious health conditions of the qualifying participant's spouse, and by termination, by the employer for reasons other than serious cause.

In the event of forfeitures due to termination of the qualifying participant prior to vesting the non-vested portion of the qualifying participant's discretionary employer contribution account will be used to pay Plan administrative expenses. Any excess, after paying Plan administrative expenses, will be allocated to participant accounts as employer contributions on the last day of the Plan year during the year of the forfeiture.

**(e) Participant Loans**

Only active employees who participate in the SRSP may request a loan and the participant must have a minimum vested account balance of \$2,000. The minimum loan amount that a participant may request is \$1,000 and the maximum is \$50,000 or 50% of the vested account balance, whichever is less. The \$50,000 maximum loan amount is reduced by the highest loan balance during the past 12 months minus the loan balance on the date a new loan is made. If a participant has an outstanding loan through another qualified plan, 403(b) plan, or a 457 plan maintained by the same employer, the maximum loan amount available must be reduced by the highest outstanding loan balance during the past 12 months. The participant is responsible for ensuring that the aggregated loan amount on all plans sponsored by the same employer is the lesser of \$50,000 or 50% of the vested account balance.

The Plan offers two loan options to the participants. One is a General-Purpose Loan that has a term of twelve to sixty (12-60) months. No reason or documentation, other than a signed promissory note, is required when a participant requests a General-Purpose Loan. The other is a Principal Residence Loan that has a term of 72-180 months, must be utilized for the purchase of a primary residence only.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

Participants are charged a loan origination fee that is deducted from the original loan amount as well as an annual administrative fee that is deducted quarterly from the participants' account. Outstanding loans are assessed an interest rate of 1% over the prime rate published in the Wall Street Journal on the first business day of the month before the loan is originated. The interest rate for General Purpose Loans is fixed for the life of the loan. For more information regarding the loan policy, participants may refer to the Plan Document.

**(f) *Payment of Benefits***

Upon termination of service, a participant with a balance of \$1,000 or less will have the amount automatically distributed in a lump sum as soon as feasibly possible. A participant whose account is greater than \$1,000 may elect to receive either a single lump-sum amount equal to the value of the participant's interest in his or her account at termination or take periodic distributions provided they meet minimum distribution requirements of IRC code section 401(a)(9). Distributions must start no later than age 70½. Participants may also specify that funds roll directly from their account to an eligible retirement plan. Upon the death of a participant, the account is paid to the participant's beneficiaries in a single lump sum.

**(g) *Recordkeeping, Custody and Management of Assets***

Effective December 30, 2020, the Board amended the original agreement with Empower Retirement for an additional five years of recordkeeping and communication services related to the SRSP. Trust services are provided by Great-West Trust Company, LLC, an affiliate of Empower Retirement. Fees for the trust services are paid by the participants. Assets allocated to the various funds are managed by investment professionals hired by the fund.

**(h) *SRSP Termination***

Though it has not expressed any intent to do so, the Board has the right under the SRSP to terminate the SRSP at any time with respect to any or all participants by resolution of the Board. Upon discontinuation of the SRSP, the account of each participant would remain fully vested and non-forfeitable.

**(2) *Summary of Significant Accounting Policies***

**(a) *Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**(b) *Basis of Accounting***

The SRSP financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles that apply to governmental accounting for defined contribution plans. Contributions are recognized when earned by the participants without regard to the date of actual collection. Expenses are recognized when due and payable. Benefit payments and refunds are recognized upon distribution.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

**(c) *Investment Income Recognition***

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected as net appreciation or depreciation in fair value of investments in the accompanying statement of changes in fiduciary net position. This is determined as the difference between fair value at the beginning of the year (or date purchased during the year) and selling price or year-end fair value.

**(d) *Tax Status***

The SRSP is intended to be an eligible employee retirement plan under Section 401(a) of the Code. The Board and the SRSP's tax counsel believe that it is currently designed and operating in compliance with the applicable requirements of the Code.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

**(3) Investments**

The following table lists the investment options available to participants and the value of each option on December 31, 2021, (amounts are expressed in thousands):

	<b>2021</b>
American Beacon Small CP Val R5	\$ 5,200
American Funds Washington Mutual R6	12,273
Arrowstreet Intl Equity ACWI Ex US Class A*	5,034
Baird Aggregate Bond Institutional	7,890
Baron Growth Institutional	7,211
Cohen & Streers Institutional Global Realty	1,680
Fidelity Global Ex US Index	6,765
Fidelity Total Market Index	24,531
Fidelity US Bond Index	2,739
Galliard Retirement Income Fund*	12,185
Northern Global Sustainability Index	824
PIMCO High Yield Institutional	2,189
T. Rowe Price Growth Stock Fund I	10,934
Vanguard Inflation-Protected Secs Adm	4,420
Vanguard Institutional Target Retirement 2015	1,603
Vanguard Institutional Target Retirement 2020	3,077
Vanguard Institutional Target Retirement 2025	13,759
Vanguard Institutional Target Retirement 2030	4,044
Vanguard Institutional Target Retirement 2035	8,530
Vanguard Institutional Target Retirement 2040	3,319
Vanguard Institutional Target Retirement 2045	6,840
Vanguard Institutional Target Retirement 2050	1,504
Vanguard Institutional Target Retirement 2055	2,250
Vanguard Institutional Target Retirement 2060	1,162
Vanguard Institutional Target Retirement 2065	71
Vanguard Institutional Target Retirement Income Fund	1,805
Vanguard Total Intl BD Idx Admiral	1,098
Vanguard Treasury Money Market Inv	2,431
	\$ 155,368

\**Commingled fund*

The SRSP offered 25 mutual funds (including 12 target date funds), one money market fund and two commingled funds as investment options as of December 31, 2021. The net investment income (including gains and losses on investments bought and sold, as well as income received on investments during the year) during 2021 was approximately \$19.2 million.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

**(a) Fair Value Measurement**

The SRSP has the following recurring fair value measurements as of December 31, 2021:

**Investments Measured at Fair Value**

		December 31, 2021		
		(In thousands)		
		<u>Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		<u>December 31, 2021</u>		
<b>Investments by fair value level</b>				
Mutual Funds	\$	135,718	\$ 135,718	\$ -
Commingled Funds		17,219	-	17,219
Total investments by fair value level		<u>152,937</u>	<u>\$ 135,718</u>	<u>\$ 17,219</u>
<b>Investments measured at amortized cost</b>				
Money market funds		2,431		
<b>Total investments measured at fair value</b>	<b>\$</b>	<b><u>155,368</u></b>		

Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Funds classified in Level 2 of the fair value hierarchy are valued based on evaluated prices using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

**(4) Administrative Expenses**

The majority of investment options available to participants in the SRSP are registered mutual funds. Investment fund expenses including management fees and operating fees are not separately disclosed, but consist of published fund expense ratios and are netted against any revenue sharing credits received by participants. These fees are implicit and are not directly reflected in the participant's account.

Revenue generated from the funds that had revenue sharing arrangements with the recordkeeper (Northern Global Sustainability, Baron Growth Institutional and Cohen & Steers Institutional Global Realty) are credited to participants with account balances in the revenue-paying fund, based on the average daily balance of the participant's investment in such fund(s) for the month.

The assessed recordkeeping and communication fee for 2021 totaled \$56 thousand. Revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was \$12 thousand.

**(5) Participant Investment Advisory Fees**

The plan participants may choose to either manage their investments themselves, use an online investment advice tool, or they can choose to have their account managed as an ancillary service available through the Plan recordkeeper. Participants who choose to use the online investment advice tool pay an annual fee assessed quarterly. Participants choosing to have their account managed pay an annual tiered fee, assessed

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

quarterly, based on the participant's account balance. In 2021, total participant investment advisory fees paid were \$88 thousand.

**(6) Risks and Uncertainties**

**(a) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the SRSP will not be able to recover its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the SRSP, and are held by either the counterparty or the counterparty's trust department or agent, but not in the SRSP name.

The SRSP investments are evidenced by mutual fund shares and commingled fund units. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, investments in mutual funds should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry-form. The SRSP investment is the mutual fund share and commingled fund unit, not the underlying security. Additionally, investments in open-end mutual funds are not subject to custodial credit risk disclosures.

**(b) Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. If 5% or more of the total assets of the SRSP are invested with one issuer, then the investment is considered to have concentration risk. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from concentration of credit risk requirements. The SRSP investment options consist of diversified mutual funds, two commingled funds, and one money market fund and are not subject to and therefore do not have concentration risk.

**(c) Credit Risk**

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The SRSP investment policy does not specifically address the quality rating of the investments. Each participant is responsible for determining the risks and commensurate returns of their portfolio. The SRSP investment options consist of diversified mutual funds, two commingled funds, and one money market fund and therefore do not have credit risk. The mutual funds, commingled funds, and money market fund have not been rated by any nationally recognized rating agency (Moody's, Fitch and Standard & Poor's rating agencies). However, certain underlying securities of the funds contain this related information, but the funds themselves do not have direct credit risk.

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

**(d) Interest Rate Risk**

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Some of the investment funds available in the SRSP invest in debt instruments that are subject to interest rate risk. The schedule presented below provides an indication of the interest rate risk associated with the funds holding debt obligations as of the most recent information available:

<b>Schedule of maturity, duration and credit quality</b>			
	<b>Average effective maturity (years)</b>	<b>Average effective duration (years)</b>	<b>Average credit quality of underlying securities</b>
<b>Target date funds:</b>			
Vanguard Institutional Target Retirement 2015	7.59	6.24	A
Vanguard Institutional Target Retirement 2020	7.91	6.47	A
Vanguard Institutional Target Retirement 2025	8.73	7.07	A
Vanguard Institutional Target Retirement 2030	9.04	7.30	A
Vanguard Institutional Target Retirement 2035	9.04	7.30	A
Vanguard Institutional Target Retirement 2040	9.08	7.35	A
Vanguard Institutional Target Retirement 2045	9.08	7.34	A
Vanguard Institutional Target Retirement 2050	9.08	7.36	A
Vanguard Institutional Target Retirement 2055	9.08	7.35	A
Vanguard Institutional Target Retirement 2060	9.08	7.35	A
Vanguard Institutional Target Retirement 2065	9.08	7.35	A
Vanguard Institutional Target Retirement Income F	7.57	6.22	A
<b>Fixed income mutual funds:</b>			
Baird Aggregate Bond Institutional	8.49	6.78	A
Fidelity US Bond Index	8.30	6.55	AA
PIMCO High Yield Institutional	5.67	3.74	BB
Vanguard Inflation-Protected Secs Adm	7.90	7.50	AAA
Vanguard Total Intl Bd Index Admiral	9.60	8.36	BBB
<b>Commingled funds:</b>			
Galliard Retirement Income Fund	3.54	3.00	AA

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

(e) **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The SRSP diversified selection of mutual funds encourages the participants to employ diversification, asset allocation, and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of their portfolio.

The SRSP exposure to foreign currency risk measured by fund allocation to foreign securities as of the most recent information available is summarized in the table below:

<b>Schedule of assets invested in foreign securities</b>	<b>Percentage of fund invested in foreign securities</b>
American Beacon Small CP Val R5	3.4%
American Funds Washington Mutual R6	7.9
Arrowstreet Intl Equity ACWI Ex US Class A	99.1
Baird Aggregate Bond Institutional	11.0
Baron Growth Institutional	1.1
Cohen & Streers Institutional Global Realty	38.5
Fidelity Global Ex US Index	99.1
Fidelity Total Market Index	1.1
Fidelity US Bond Index	6.7
Northern Global Sustainability Index	32.7
PIMCO High Yield Institutional	8.0
T. Rowe Price Growth Stock Fund I	7.7
Vanguard Institutional Target Retirement 2015	29.6
Vanguard Institutional Target Retirement 2020	32.6
Vanguard Institutional Target Retirement 2025	36.0
Vanguard Institutional Target Retirement 2030	37.2
Vanguard Institutional Target Retirement 2035	37.7
Vanguard Institutional Target Retirement 2040	38.1
Vanguard Institutional Target Retirement 2045	38.3
Vanguard Institutional Target Retirement 2050	38.5
Vanguard Institutional Target Retirement 2055	38.3
Vanguard Institutional Target Retirement 2060	38.2
Vanguard Institutional Target Retirement 2065	38.1
Vanguard Institutional Target Retirement Income Fund	29.3
Vanguard Total Intl BD Idx Admiral	94.2

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2021

**(7) SRSP Amendments**

There were no plan amendments in 2021.



**INDEPENDENT AUDITORS' 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**

The Board of Water Commissioners, City and County of Denver, Colorado  
Denver Water Supplemental Retirement Savings Plan  
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 statement of fiduciary net position, and the related statement of changes in fiduciary net position of the Denver Water Supplemental Retirement Savings Plan (the Plan), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated April 21, 2022.

***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 opinions 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.

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 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.



**CliftonLarsonAllen LLP**

Denver, Colorado  
April 21, 2022