DENVER WATER 457 DEFERRED COMPENSATION PLAN

Financial Statements

December 31, 2022

(With Independent Auditors’ Report Thereon)

DENVER WATER 457 DEFERRED COMPENSATION PLAN

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INDEPENDENT AUDITORS' REPORT

Board of Water Commissioners, City and County of Denver, Colorado
Denver Water 457 Deferred Compensation Plan
Denver, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of fiduciary net position and statement of changes in fiduciary net position of the Denver Water 457 Deferred Compensation Plan (the Plan), as of and for the year ended December 31, 2022, 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, 2022, 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 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 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 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 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.

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 May 11, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
May 11, 2023

DENVER WATER 457 DEFERRED COMPENSATION PLAN

Management's Discussion and Analysis

December 31, 2022

(Unaudited)

This is an analysis and overview of the financial activities of the Denver Water 457 Deferred Compensation Plan (Plan) for the year ended December 31, 2022. This information should be read in conjunction with the Plan financial statements and notes, which follow.

Financial Highlights

As of December 31, 2022, $41.1 million was held in trust for the payment of Plan benefits to the participants as compared to $47.7 million in 2021. This represents a decrease in total Plan fiduciary net position held in trust of $6.6 million or 13.9%. The decrease in 2022 was primarily due to changes in the fair values of the Plan's investments.

Additions to the Plan's fiduciary net position for 2022 included participant contributions of $2.6 million, participant rollovers of $38 thousand, employer contributions of $27 thousand, and net investment loss of $7.0 million.

Deductions from fiduciary net position totaled $2.3 million in 2022 and were primarily comprised of retirement benefit payments. Total deductions in 2022 were 37.8% less than those in 2021.

The Plan is a deferred compensation plan and its primary purpose is to attract and retain qualified personnel by permitting eligible employees to defer a portion of their current income for their retirement. At December 31, 2022, there were 1,042 employees eligible for the Plan, of which 389 participating employees were contributing to the Plan, or 37% 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 Plan's financial statements, which follow. The Plan's 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 Plan's assets, liabilities, and fiduciary net position as of December 31, 2022. The Statement of Changes in Fiduciary Net Position shows the additions to and deductions from Plan fiduciary net position during 2022.

These financial statements provide a snapshot of the Plan's assets and liabilities as of December 31st 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 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 457 DEFERRED COMPENSATION PLAN

Management's Discussion and Analysis

December 31, 2022

(Unaudited)

Financial Analysis

The following section provides further detail of the activities within the Plan as well as additions and deductions to the Plan. Additions to the Plan consist of participant contributions, discretionary employer contributions, participant rollovers, interest income on outstanding participant loans, miscellaneous income, and net investment loss. 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 2022 and 2021.

As of December 31, the Plan fiduciary net position was:

Fiduciary Net Position
(In thousands)

	Years ended December 31		2022 – 2021	
	2022	2021	Increase (decrease)	Percentage change
Mutual funds	$ 31,761	$ 38,476	$ (6,715)	(17.5)%
Commingled funds	8,007	7,783	224	2.9
Money market fund	1,034	1,195	(161)	(13.5)
Total investments	40,802	47,454	(6,652)	(14.0)
Receivables:				
Contributions	48	46	2	4.3
Participant loans	253	240	13	5.4
Total receivables	301	286	15	5.2
Total assets	41,103	47,740	(6,637)	(13.9)
Total liabilities	6	6	—	—
Fiduciary net position	$ 41,097	$ 47,734	$ (6,637)	(13.9)%

Plan Activities

The decrease to net position in 2022 was primarily due to depreciation in the fair value of investments. The total decrease in Plan net position was $6.6 million or 13.9% over 2021. Additional details for the change in net position are discussed on the following page.

Additions

The money used to pay benefits is accumulated from the contributions made by each participant and from income generated from the participants' investments including investment appreciation, interest and dividends. Earnings on investments are reported net of investment management expenses. Investment loss net of investment manager fees during 2022 was $7.0 million.

Additions to Fiduciary Net Position
(In thousands)

	Years ended December 31		2022 – 2021	
	2022	2021	Increase (decrease)	Percentage change
Employer contributions	$ 27	$ —	$ 27	—%
Participant contributions	2,556	2,423	133	5.5
Participant rollovers	38	20	18	90.0
Participant interest on loans	10	11	(1)	(9.1)
Miscellaneous income	4	3	1	33.3
Net investment income (loss)	(6,980)	5,342	(12,322)	(230.7)
Total additions	$ (4,345)	$ 7,799	$ (12,144)	(155.7)%

Deductions

Benefits paid to participants of $2.3 million in 2022 represent the majority of the deductions from the Plan. Benefits paid to participants were 38.2% less in 2022 compared to 2021. The change in the amount of benefits paid to participants 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 Plan.

Administrative expenses for 2022 were $16 thousand. Administrative fees are calculated based upon a percentage of the fair value of investments. The Plan 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 Plan assets during the assessment period from the participant's account. The Plan's administrative expenses were $1 thousand less in 2022 as compared to 2021. The reduction in expenses were due to the lower asset values in 2022 compared to 2021. In 2022, participant investment advisory fees were $24 thousand. Please refer to Note 4 of the financial statements for information regarding administrative expenses.

Deductions from Fiduciary Net Position
(In thousands)

	Years ended December 31		2022 – 2021	
	2022	2021	Increase (decrease)	Percentage change
Benefits paid to participants	$ 2,252	$ 3,645	$ (1,393)	(38.2)%
Administrative expenses	16	17	(1)	(5.9)
Participant investment-advisory fees	24	22	2	9.1
Total deductions	$ 2,292	$ 3,684	$ (1,392)	(37.8)%

Requests for Information

This discussion and analysis is designed to provide a general overview of the fiduciary net position and changes in fiduciary net position as of December 31, 2022 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 457 DEFERRED COMPENSATION PLAN

Statement of Fiduciary Net Position
December 31, 2022
(In thousands)

Assets:		**2022**
Investments, at fair value:		
Mutual funds	$	31,761
Commingled funds		8,007
Money market fund		1,034
Total investments		40,802
Receivables:		
Participant contributions		48
Participant loans		253
Total receivables		301
Total assets		41,103
Liabilities:		
Accrued advisory fees		6
Fiduciary net position	$	41,097

See accompanying notes to financial statements.

DENVER WATER 457 DEFERRED COMPENSATION PLAN

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022
(In thousands)

		2022
Additions:		
Investment income:		
Net depreciation in fair value of investments	$	(8,367)
Dividends		1,387
Net investment loss		(6,980)
Contributions:		
Employer contributions		27
Participant contributions		2,556
Participant rollovers		38
Total contributions		2,621
Other additions:		
Participant interest on loans		10
Miscellaneous income		4
Total other additions		14
Total additions		(4,345)
Deductions:		
Benefits paid to participants		2,252
Administrative expenses		16
Participant investment advisory fees		24
Total deductions		2,292
Net decrease		(6,637)
Fiduciary net position:		
Beginning of year		47,734
End of year	$	41,097

See accompanying notes to financial statements.

(1) Plan Description

The Denver Board of Water Commissioners, City and County of Denver, Colorado (Board) operates a water utility created by the Charter of the City and County of Denver. In 1987, the Board initiated a deferred compensation plan and adopted the Conference of Mayors' 457 Plan. The termination of the administrator of the Plan in December 2000 required the Board to adopt a new plan. In January 2001, the Board adopted the Denver Water 457 Deferred Compensation Plan (Plan). All of the investments in the old Plan were sold and the proceeds were used to purchase like kind investments in the new Plan.

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 Chief of Staff 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, the Chief of Staff, and the Board regarding the Retirement Program, including this Plan. 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 Plan provides general information. Participants and others should refer to the Plan Document for a more complete description of the Plan provisions.

(a) General

The Plan is a deferred compensation plan covering all regular and discretionary employees of the Board who have completed the required introductory period. The Plan's primary purpose is to attract and retain qualified personnel by permitting them benefits in the event of their retirement or death.

The Plan 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 defer up to an annual maximum amount as codified by the Internal Revenue Service. The Plan will accept transfers, pursuant to Section 457 of the Internal Revenue Code (Code), of amounts deferred by an individual under another eligible deferred compensation plan. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan was amended in 2013 to authorize employer discretionary contributions to qualifying participants. Employer discretionary contributions must be made no later than the last day of the Plan year for which the contribution is made. The employer may suspend, reduce or eliminate future employer contributions and may rescind such action at any time. In 2022, there were $27 thousand in discretionary employer contributions.

(c) Participant Accounts

Each participant's account reflects the cumulative amount of each participant's deferred compensation and employer discretionary contributions (if any), including any income, gains, losses, and increases or decreases in fair value attributable to the investment of the participant's deferred compensation and employer discretionary contributions (if any), 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 is subject to Treasury Regulations under IRS Code §415 and 401(a)(17).

(d) Vesting

A participant's interest in their participant contributions is fully vested and non-forfeitable. 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 December 2016, the Plan was amended to allow a specified dollar amount of the qualifying participant's discretionary employer contribution to become fully vested and non-forfeitable.

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 Plan participants 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 401(k) 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, which must be utilized for the purchase of a primary residence only.

Participants are charged a loan origination fee and it is deducted from the original loan amount as well as an annual administrative fee that is deducted quarterly and is assessed to each participant's account. The interest rate assessed to the loans is 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 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 lump-sum amount equal to the value of the participant's interest in his or her account, leave the balance in the Plan, or roll their balance to an eligible plan. Distributions from balances left in the Plan must begin no later than age 70½. When balances are paid, participants will receive payment under various payment options defined by the Plan. Upon the death of a participant, a death benefit equal to the value of the participant's account shall be payable to a designated beneficiary. The beneficiary may select from various payment options defined by the Plan.

(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 Plan. 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) Plan Termination

Though it has not expressed any intent to do so, the Board has the right under the Plan to terminate the Plan at any time with respect to any or all participants by resolution of the Board. Upon discontinuation of the Plan, 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 U.S. generally accepted accounting principles 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 Plan's 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.

(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 Plan is intended to be an eligible deferred compensation plan under Section 457(b) of the Code. The Board and the Plan's tax counsel believe that the Plan is currently designed and operating in compliance with the applicable requirements of the Code.

(3) Investments

The following table lists the investment options available to participants and the value of each option on December 31, 2022, (amounts are expressed in thousands):

		2022
American Beacon Small CP Val R6	$	1,202
American Funds Washington Mutual R6		2,929
Arrowstreet Intl Equity ACWI Ex US Class A*		1,209
Baird Aggregate Bond Institutional		1,061
Baron Growth Institutional		1,188
Cohen & Streers Institutional Global Realty		463
Fidelity Global Ex US Index		1,032
Fidelity Total Market Index		5,099
Fidelity US Bond Index		2,030
Galliard Retirement Income Fund*		6,798
Northern Global Sustainability Index		981
PIMCO High Yield Institutional		934
T. Rowe Price Growth Stock Fund I		2,463
Vanguard Inflation-Protected Secs Adm		1,121
Vanguard Institutional Target Retirement 2020		784
Vanguard Institutional Target Retirement 2025		2,303
Vanguard Institutional Target Retirement 2030		2,110
Vanguard Institutional Target Retirement 2035		1,619
Vanguard Institutional Target Retirement 2040		636
Vanguard Institutional Target Retirement 2045		1,912
Vanguard Institutional Target Retirement 2050		525
Vanguard Institutional Target Retirement 2055		387
Vanguard Institutional Target Retirement 2060		172
Vanguard Institutional Target Retirement 2065		145
Vanguard Institutional Target Retirement Income Fund		528
Vanguard Total Intl BD Idx Admiral		137
Vanguard Treasury Money Market Inv		1,034
	$	40,802

**Commingled fund*

The Plan offered 24 mutual fund investment options (including 11 target date funds), one money market fund and two commingled funds as of December 31, 2022. The Plan’s investments (including gains and losses on investments bought and sold, as well as income received on investments held during the year) during 2022 generated a net investment loss of $7.0 million.

(a) Fair Value Measurement

The Plan has the following recurring fair value measurements as of December 31, 2022:

Investments Measured at Fair Value

		December 31, 2022 (In thousands)		
		Fair Value Measurements Using		
	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Mutual Funds	$ 31,761	$ 31,761	$ -	$ -
Commingled Funds	8,007	-	8,007	-
Total investments by fair value level	39,768	$ 31,761	$ 8,007	$ -
Investments measured at amortized cost				
Money market funds	1,034			
Total investments measured at fair value	$ 40,802			

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 Plan 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, which 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 2022 totaled $16 thousand. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period was $4 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 quarterly, based on the participant's account balance. In 2022, total participant investment advisory fees paid were $24 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 Plan 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 Plan, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

The Plan 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 these funds should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The Plan's investment is the mutual fund share or the commingled fund unit, not the underlying security. Additionally, investments in open-end mutual or commingled 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 Plan 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 Plan investment options consist of diversified mutual funds, two commingled funds, and one money market fund 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 Plan 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 Plan 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.

(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 Plan 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:

Schedule of maturity, duration and credit quality

	Average effective maturity (years)	Average effective duration (years)	Average credit quality of underlying securities
Target date funds:			
Vanguard Institutional Target Retirement 2020	7.79	6.08	A
Vanguard Institutional Target Retirement 2025	8.44	6.52	A
Vanguard Institutional Target Retirement 2030	8.90	6.83	A
Vanguard Institutional Target Retirement 2035	8.90	6.83	A
Vanguard Institutional Target Retirement 2040	8.90	6.83	A
Vanguard Institutional Target Retirement 2045	8.90	6.83	A
Vanguard Institutional Target Retirement 2050	8.90	6.82	A
Vanguard Institutional Target Retirement 2055	8.90	6.82	A
Vanguard Institutional Target Retirement 2060	8.90	6.82	A
Vanguard Institutional Target Retirement 2065	8.90	6.85	A
Vanguard Institutional Target Retirement Income Fun	7.51	5.89	A
Fixed income mutual funds:			
Baird Aggregate Bond Institutional	8.23	6.17	A
Fidelity US Bond Index	8.40	6.13	AA
PIMCO High Yield Institutional	5.74	3.78	BB
Vanguard Inflation-Protected Secs Adm	7.30	6.75	AAA
Vanguard Total Intl Bd Index Admiral	9.00	7.48	BBB
Commingled funds:			
Galliard Retirement Income Fund	3.72	2.91	AA

(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 Plan's diversified selection of 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 Plan 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:

Schedule of assets invested in foreign securities

	Percentage of fund invested in foreign securities
American Beacon Small CP Val R5	3.0%
American Funds Washington Mutual R6	7.9
Arrowstreet Intl Equity ACWI Ex US Class A	93.8
Baird Aggregate Bond Institutional	14.9
Baron Growth Institutional	0.5
Cohen & Streers Institutional Global Realty	37.8
Fidelity Global Ex US Index	99.2
Fidelity Total Market Index	1.1
Fidelity US Bond Index	6.4
Northern Global Sustainability Index	34.2
PIMCO High Yield Institutional	8.5
T. Rowe Price Growth Stock Fund I	7.4
Vanguard Institutional Target Retirement 2020	32.5
Vanguard Institutional Target Retirement 2025	35.9
Vanguard Institutional Target Retirement 2030	37.6
Vanguard Institutional Target Retirement 2035	38.1
Vanguard Institutional Target Retirement 2040	38.6
Vanguard Institutional Target Retirement 2045	39.1
Vanguard Institutional Target Retirement 2050	39.4
Vanguard Institutional Target Retirement 2055	39.3
Vanguard Institutional Target Retirement 2060	39.2
Vanguard Institutional Target Retirement 2065	38.9
Vanguard Institutional Target Retirement Income Fund	29.7
Vanguard Total Intl BD Idx Admiral	94.0

(7) Plan Amendments

There were no plan amendments in 2022.

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*

Board of Water Commissioners, City and County of Denver, Colorado
Denver Water 457 Deferred Compensation 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 457 Deferred Compensation Plan (the Plan), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated May 11, 2023.

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.

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.

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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

CliftonLarsonAllen LLP

Denver, Colorado
May 11, 2023