Denver Water 457 Deferred Compensation Plan

Financial Statements

December 31, 2023

(With Independent Auditors’ Report Thereon)

Denver Water 457 Deferred Compensation Plan

Table of Contents

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, 2023, 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, 2023, 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.

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 April 15, 2024, 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
April 15, 2024

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, 2023. This information should be read in conjunction with the financial statements and notes, which follow.

Financial Highlights

- As of December 31, 2023, and 2022, $46.3 million and $41.1 million, respectively, were held in trust for the payment of Plan benefits to the participants, and to meet the future obligations to its participants.

- For 2023, the fiduciary net position of the Plan increased by $5.2 million or 12.7% as compared to 2022. The increase in 2023 was primarily due to changes in the fair value of the Plan investments. The change in the fair value of investments increased $13.7 million or 163.5%, in 2023 over 2022.

- Additions to the Plan's fiduciary net position in 2023 included participant contributions of $2.7 million, participant rollovers of $5 thousand, employer contributions of $30 thousand, and a net investment income of $6.4 million. Total additions to the Plan's fiduciary net position was $9.1 million.

- Deductions from the Plan's fiduciary net position for 2023 were $3.9 million. The deductions comprised of retirement benefit payments of $3.9 million, participant investment advisory fees of $26 thousand, and administrative expenses of $16 thousand. Total deductions in 2023 were 71.1% more than those in 2022.

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. As of December 31, 2023, there were 1,033 employees eligible to participate in the Plan, of which 393 participating employees were contributing to the Plan, or 38% 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 statements include the following: 1) Statement of Fiduciary Net Position, 2) Statement of Changes in Fiduciary Net Position, and 3) Notes to the Financial Statements.

The Statement of Fiduciary Net Position includes information about the Plan's assets, liabilities and fiduciary net position, as of December 31, 2023. The Statement of Changes in Fiduciary Net Position shows the additions to, deductions from, and net increase (or decrease) in the Plan's fiduciary net position during 2023.

These financial statements provide a snapshot of the Plan's assets and liabilities as of December 31, 2023, and the activities that occurred during the year. 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 by independent outside sources.

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

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 and employer contributions, participant rollovers, interest income on outstanding participant loans, miscellaneous income, and net investment income (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 2023 and 2022.

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

Fiduciary Net Position
(amounts expressed in thousands)

	As of December 31,		2023 - 2022	
	2023	2022	Increase (Decrease)	% Change
Mutual funds	$ 36,171	$ 31,761	$ 4,410	13.9 %
Commingled funds	7,852	8,007	(155)	(1.9)
Money market funds	1,884	1,034	850	82.2
Total investments at fair value	45,907	40,802	5,105	12.5
Receivables:				
Contributions	61	48	13	27.1
Participant loans	356	253	103	40.7
Total receivables	417	301	116	38.5
Total assets	46,324	41,103	5,221	12.7
Total liabilities	7	6	1	16.7
Fiduciary net position	$ 46,317	$ 41,097	$ 5,220	12.7%

Plan Activities

The fiduciary net position increased by $5.2 million or 12.7% in 2023 over 2022. Additional details for the change in fiduciary net position are discussed on the following pages.

Additions

The money used to pay benefits is accumulated from the contributions made by each participant and from income generated by investments, including investment appreciation, interest, and dividends. Earnings on investments are reported net of investment management expenses. In 2023, the net investment income was $6.4 million. The increase of net investment income from 2022 to 2023 was primarily due to the appreciation of the fair value of investments.

Additions to Fiduciary Net Position

(amounts expressed in thousands)

	As of December 31,		2023 - 2022	
	2023	2022	Increase (Decrease)	% Change
Employer contributions	$ 30	$ 27	$ 3	11.1 %
Participant contributions	2,713	2,556	157	6.1
Participant rollovers	5	38	(33)	(86.8)
Participant interest on loans	17	10	7	70.0
Miscellaneous income	3	4	(1)	(25.0)
Net investment income (loss)	6,373	(6,980)	13,353	191.3
Total additions	$ 9,141	$ (4,345)	$ 13,486	310.4 %

Deductions

Benefits paid to participants during the year represent the majority of the deductions from the Plan. In 2023, benefits paid were $3.9 million, an increase of 72.2% compared to 2022. 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 Plan. Administrative expenses for the Plan were $16 thousand in 2023. Administrative fees are calculated based upon a percentage of the fair value of investments. The Plan participants are charged an explicit fee for recordkeeping and communication services totaling 0.03%. The fees are payable on a monthly basis, based on the average daily balance of the Plan assets during the assessment period from the participant's account. In 2023, total administrative expenses were $16 thousand and participant investment advisory fees were $26 thousand. Please refer to Note 4 of the financial statements for information regarding administrative expenses.

Deductions to Fiduciary Net Position

(amounts expressed in thousands)

	As of December 31,		2023 - 2022	
	2023	2022	Increase (Decrease)	% Change
Benefits paid to participants	3,879	2,252	1,627	72.2 %
Administrative expenses	16	16	-	-
Participant investment advisory fees	26	24	2	8.3
Total deductions	$ 3,921	$ 2,292	$ 1,629	71.1%

Requests for Information

This discussion and analysis is designed to provide a general overview of the Plan financial status as of December 31, and changes in financial status 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, 2023

(In thousands)

		2023
Assets:		
Receivables:		
Participant contributions	$	61
Participant loans		356
Total receivables		417
Investments, at fair value:		
Mutual funds		36,171
Commingled funds		7,852
Money market funds		1,884
Total investments		45,907
Total assets		46,324
Liabilities:		
Accrued advisory fees		7
Fiduciary net position restricted for pensions	$	46,317

See accompanying notes to basic financial statements.

Denver Water 457 Deferred Compensation Plan
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2023
(In thousands)

	2023
Additions:	
Employer contributions	$ 30
Participant contributions	2,713
Participant rollovers	5
Total contributions	2,748
Investment income:	
Net appreciation in fair value of investments	5,309
Dividends	1,064
Net investment income	6,373
Other additions:	
Participant interest on loans	17
Miscellaneous income	3
Total other additions	20
Total additions	9,141
Deductions:	
Benefits paid to participants	3,879
Administrative expenses	16
Participant investment advisory fees	26
Total deductions	3,921
Net increase in fiduciary net position	5,220
Fiduciary net position restricted for pensions:	
Beginning of year	41,097
End of year	$ 46,317

See accompanying notes to basic financial statements.

Denver Water 457 Deferred Compensation Plan
Notes to Financial Statements
December 31, 2023

(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 Treasury Section, Benefits Section, and the Office of General Counsel, 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. 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 to provide recordkeeping and communication services for the Plan. The Board retained an investment consultant to monitor and recommend changes in the investment options included in the Plan.

The following description of the Plan provides only general information. Participants and all others should refer to the Plan 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 2023, there were $30 thousand in discretionary employer contributions. 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.

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 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 Plan 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, and must be utilized for the purchase of a primary residence only.

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 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 balances to an eligible plan. Distributions from balances left in the Plan must start no later than age 73. 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 subject to required minimum distribution rules.

G. Recordkeeping, Custody and Management of Assets

Effective January 1, 2020, the Board amended the original agreement with Empower Retirement for recordkeeping and communication services related to the Plan to extend the contract end date to December 2025. In December 2023, the contract was extended by one more year, through December 2026. 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. Basis of Accounting

The Plan 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.

B. 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.

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 employee retirement plan under Section 457(b) of the Code. The Board and the Plan's tax counsel believe that it 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, 2023, (amounts are expressed in thousands):

		2023
American Beacon Small CP Val R6	$	1,267
American Funds Washington Mutual R6		2,632
Arrowstreet Intl Equity ACWI Ex US Class A*		1,648
Baird Aggregate Bond Institutional		1,641
Baron Growth Institutional		829
Cohen & Streers Institutional Global Realty		380
Fidelity Global Ex US Index		1,133
Fidelity Total Market Index		7,498
Fidelity US Bond Index		1,864
Galliard Retirement Income Fund*		6,204
Northern Global Sustainability Index		1,014
PIMCO High Yield Institutional		913
JPMorgan Large Cap Growth		3,503
Vanguard Inflation-Protected Secs Adm		1,060
Vanguard Institutional Target Retirement 2020		613
Vanguard Institutional Target Retirement 2025		2,573
Vanguard Institutional Target Retirement 2030		2,328
Vanguard Institutional Target Retirement 2035		1,735
Vanguard Institutional Target Retirement 2040		718
Vanguard Institutional Target Retirement 2045		2,389
Vanguard Institutional Target Retirement 2050		701
Vanguard Institutional Target Retirement 2055		556
Vanguard Institutional Target Retirement 2060		240
Vanguard Institutional Target Retirement 2065		15
Vanguard Institutional Target Retirement 2070		5
Vanguard Institutional Target Retirement Income Fund		388
Vanguard Total Intl BD Idx Admiral		176
Vanguard Treasury Money Market Inv		1,884
	$	45,907
*Commingled fund		

The Plan offered 25 mutual funds (including 12 target date funds), one money market fund and two commingled funds as investment options as of December 31, 2023. The net investment income (including gains and losses on investments bought and sold, as well as income received on investments during the year) during 2023 was approximately $6.4 million.

A. Fair Value of Investments

The Plan has the following recurring fair value measurements as of December 31, 2023:

Investments Measured at Fair Value
As of December 31, 2023
(amounts expressed in thousands)

		Fair Value Measurements Using		
	December 31, 2023	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	$ 36,171	$ 36,171	$ -	$ -
Commingled Funds	7,852	-	7,852	-
Total investments by fair value level	44,023	$ 36,171	$ 7,852	$ -
Investments measured at amortized cost:				
Money Market Funds	1,884			
Total investments measured at fair value	$ 45,907			

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 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 2023 totaled $16 thousand. Revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was $3 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 2023, total participant investment advisory fees paid were $26 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 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 mutual funds should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry-form. The Plan 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 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 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 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	7.65	5.87	A
Vanguard Institutional Target Retirement 2025	8.17	6.22	A
Vanguard Institutional Target Retirement 2030	8.83	6.67	A
Vanguard Institutional Target Retirement 2035	8.83	6.67	A
Vanguard Institutional Target Retirement 2040	8.83	6.67	A
Vanguard Institutional Target Retirement 2045	8.83	6.67	A
Vanguard Institutional Target Retirement 2050	8.83	6.65	A
Vanguard Institutional Target Retirement 2055	8.83	6.65	A
Vanguard Institutional Target Retirement 2060	8.83	6.65	A
Vanguard Institutional Target Retirement 2065	8.83	6.65	A
Vanguard Institutional Target Retirement 2070	8.76	6.59	A
Vanguard Institutional Target Retirement Income Fund	7.42	5.71	A
Fixed income mutual funds:			
Baird Aggregate Bond Institutional	8.27	6.24	A
Fidelity US Bond Index	8.50	6.12	AA
PIMCO High Yield Institutional	4.76	3.13	BB
Vanguard Inflation-Protected Secs Adm	7.30	6.75	A
Vanguard Total Intl Bd Index Admiral	8.90	7.30	BBB
Commingled funds:			
Galliard Retirement Income Fund	3.64	2.93	A

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 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 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

	Percent of fund invested in foreign securities
American Beacon Small CP Val R6	2.9 %
American Funds Washington Mutual R6	6.5
Arrowstreet Intl Equity ACWI Ex US Class A	98.3
Baird Aggregate Bond Institutional	13.9
Baron Growth Institutional	0.0
Cohen & Streers Institutional Global Realty	36.2
Fidelity Global Ex US Index	99.2
Fidelity Total Market Index	0.7
Fidelity US Bond Index	6.5
Northern Global Sustainability Index	29.4
PIMCO High Yield Institutional	2.2
T. Rowe Price Growth Stock Fund I	5.2
Vanguard Institutional Target Retirement 2020	32.1
Vanguard Institutional Target Retirement 2025	35.1
Vanguard Institutional Target Retirement 2030	36.9
Vanguard Institutional Target Retirement 2035	36.8
Vanguard Institutional Target Retirement 2040	37.2
Vanguard Institutional Target Retirement 2045	37.4
Vanguard Institutional Target Retirement 2050	38.4
Vanguard Institutional Target Retirement 2055	38.5
Vanguard Institutional Target Retirement 2060	38.5
Vanguard Institutional Target Retirement 2065	38.4
Vanguard Institutional Target Retirement 2070	38.4
Vanguard Institutional Target Retirement Income Fund	30.0
Vanguard Total Intl BD Idx Admiral	95.7

(7) PLAN AMENDMENTS

The SECURE Act (2019), CARES Act (2020), and the SECURE Act 2.0 of 2022 contain provisions intended to provide economic and administrative relief during the COVID-19 pandemic, expand access to retirement plans, streamline administration of qualified retirement plans, and raise revenue. Although December 31, 2027 is the deadline by which governmental plan sponsors must amend their plans for these provisions, many were operationalized as early as December 31, 2019. The following amendments were adopted by the Plan in 2023:

a. Effective January 1, 2023,
    i. Waiver of 2020 Required Minimum Distributions (RMD): Beneficiaries of participants who died during the years 2015-2019 and are receiving their benefits under the 5-Year rule for distributing RMDs may have the option to extend the deadline to distribute the account by one year.
    ii. Reliance on Self-Certification of Hardship: Removed the substantiation requirement and allow Denver Water to rely on the employee's written self-certification that (i) the circumstances for the hardship exist, (ii) the amount requested is not in excess of the amount required to satisfy the financial need, and (iii) the employee has no alternative reasonably available means to satisfy such need.
b. Effective December 31 , 2022, Increased age for Required Minimum Distributions to age 73 beginning January 1, 2023 and further increased to age 75 on February 1, 2033.
c. Effective December 31 , 2021, Distributions after death of participant generally must be made by the end of the tenth calendar year following the year of death. Payments can be made over the beneficiary's life expectancy if the beneficiary is (1) a surviving spouse, (2) a disabled or chronically ill individual, (3) a beneficiary no more than ten years younger than the participant, or (4) a minor child of the participant until the child reaches majority.
d. Effective January 26 , 2021, Repayable Early Distributions for Qualified Federally Declared Disaster Distributions: the Plan can allow a qualified disaster recovery distribution of up to an aggregate of $22,000 if made within 180 days after the first day of the incident period applicable to a qualified disaster, if the participant's principal place of residence is within the qualified disaster area and the individual has sustained economic loss due to the qualified disaster. These distributions can be repaid by a participant.
e. Effective March 27, 2020,
    i. Coronavirus-related Distributions: allow participants who meet certain eligibility requirements to take coronavirus-related distributions.
    ii. Increased Plan Loan Limit: loan limitation for participants who meet certain eligibility requirements was increased to $100,000 for loans made between March 27 and September 22, 2020.
    iii. Extension of Plan Loan Repayments: Due date of plan loan repayments between March 27 and December 31, 2020 may be extended for one year.
f. Effective January 1, 2020, Waiver of 2020 Required Minimum Distributions: participants and beneficiaries could be given the option to waive receiving RMDs for 2020.
g. Effective December 31 , 2019, New required beginning date for Required Minimum Distributions moved to April 1 of the calendar year following the calendar year in which a participant turns 72.

CliftonLarsonAllen LLP
CLAconnect.com

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, 2023, 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 15, 2024.

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.

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
April 15, 2024