

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Financial Statements

December 31, 2019

(With Independent Auditors' Report Thereon)

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

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## 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 Financial Statements**

We have audited the accompanying statement 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, 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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, 2019, and the respective change in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we 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 5, 2020, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Denver, Colorado  
May 5, 2020

# DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

## Management's Discussion and Analysis

December 31, 2019

(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, 2019. This information should be read in conjunction with the financial statements and notes, which follow.

### Financial Highlights

As of December 31, 2019, \$118.9 million was held in trust for the payment of SRSP benefits to the participants as compared to \$100.8 million in 2018. This represents an increase in total SRSP fiduciary net position held in trust of \$18.1 million or 18.0%.

Additions to the SRSP fiduciary net position for 2019 included participant contributions of \$4.4 million and participant rollovers of \$427 thousand. Total Denver Board of Water Commissioners (Board) matching contributions in 2019 were \$2.1 million and the net investment income was \$20.0 million.

Total deductions from the SRSP fiduciary net position were \$8.9 million in 2019. The deductions comprised retirement benefit payments of \$8.8 million, participant investment advisory fees of \$56 thousand, and administrative expenses of \$86 thousand. Total deductions in 2019 were 7.4% more than those in 2018.

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, 2019, there were 1,013 employees eligible to participate in the SRSP, of which 875 employees were contributing to the SRSP, or 86% 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 statements include:

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, 2019. The Statement of Changes in Fiduciary Net Position shows the additions to and deductions from SRSP fiduciary net position during 2019.

The above financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, Statement No. 67, *Financial Reporting for Pension Plans* (replacing GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB 50, *Pension Disclosures*), and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and all other

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Management's Discussion and Analysis

December 31, 2019

(Unaudited)

applicable GASB pronouncements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The Plan's financial statements comply with all material requirements of these pronouncements.

These financial statements provide a snapshot of the SRSP assets and liabilities as of December 31 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.

**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 to the Plan are the result of benefit payments to participants, administrative expenses, and participant investment advisory fees. Comparative financial schedules depict the changes between the years 2019 and 2018.

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>2019 – 2018</b>	
	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>	<b>Percentage change</b>
Mutual funds	\$ 102,888	\$ 84,892	\$ 17,996	21.2%
Commingled fund	12,869	12,619	250	2.0
Money market fund	1,044	1,030	14	1.4
Total investments	<u>116,801</u>	<u>98,541</u>	<u>18,260</u>	18.5%
Receivables:				
Contributions	313	267	46	17.2
Participant loans	1,767	1,953	(186)	(9.5)
Total Receivables	<u>2,080</u>	<u>2,220</u>	<u>(140)</u>	(6.3)%
Total assets	118,881	100,761	18,120	18.0
Total liabilities	13	—	13	—
Fiduciary net position	<u>\$ 118,868</u>	<u>\$ 100,761</u>	<u>\$ 18,107</u>	18.0%

**SRSP Activities**

The fiduciary net position increased by \$18.1 million or 18.0% in 2019 over 2018. Additional details for the change in fiduciary net position are discussed on the following pages.

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**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 2019 were \$2.1 million and the net investment income was \$20.0 million. The increase of net investment income from 2018 to 2019 was primarily due to market appreciation in fair value of investments.

**Additions to Fiduciary Net Position**

(In thousands)

	Years ended December 31		2019 - 2018	
	2019	2018	Increase (decrease)	Percentage change
Employer contributions	\$ 2,084	\$ 2,050	\$ 34	1.7%
Participant contributions	4,371	4,352	19	0.4
Participant rollovers	427	1,154	(727)	(63.0)
Participant interest on loans	96	84	12	14.3
Miscellaneous income	13	16	(3)	(18.8)
Net investment income (loss)	20,033	(4,537)	24,570	541.5
Total additions	\$ 27,024	\$ 3,119	\$ 23,905	766.4%

**Deductions**

Benefits paid to participants during the year represent the majority of the deductions from the SRSP. In 2019, benefits paid were \$8.8 million, indicating an increase of 7.0%. 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 \$86 thousand in 2019. Administrative fees are calculated based upon a percentage of the fair value of investments. In 2019, participant investment advisory fees were \$56 thousand. Please refer to note 4 of the financial statements for a detailed explanation of SRSP administrative expenses.

**Deductions from Fiduciary Net Position**

(In thousands)

	Years ended December 31		2019 - 2018	
	2019	2018	Increase (decrease)	Percentage change
Benefits paid to participants	\$ 8,774	\$ 8,197	\$ 577	7.0%
Administrative expenses	86	84	2	2.4
Participant investment				
Advisory fees	57	25	32	128.0
Total deductions	\$ 8,917	\$ 8,306	\$ 611	7.4%

Subsequent to the date of the financial statements, domestic and international equities experienced significant losses due to the global COVID-19 pandemic.

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Management's Discussion and Analysis

December 31, 2019

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**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, 2019 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



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Statement of Fiduciary Net Position

December 31, 2019

	<u><b>2019</b></u>
Assets:	
Investments, at fair value:	
Mutual funds	\$ 102,888,400
Commingled fund	12,868,700
Money market fund	1,044,100
Total Investments	<u>116,801,200</u>
Receivables:	
Employer contributions	98,900
Participant contributions	214,400
Participant loans	1,767,000
Total receivables	<u>2,080,300</u>
 Total assets	 <u>118,881,500</u>
Liabilities:	
Accrued advisory fees	13,100
Fiduciary net position	<u>\$ 118,868,400</u>

See accompanying notes to financial statements.

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Statement of Changes in Fiduciary Net Position

Year ended December 31, 2019

	<b>2019</b>
Additions:	
Investment income:	
Net appreciation in fair value of investments	\$ 17,119,900
Dividends	2,913,400
Net investment income	20,033,300
Contributions:	
Employer contributions	2,084,100
Participant contributions	4,371,100
Participant rollovers	427,000
Total contributions	6,882,200
Other additions:	
Participant interest on loans	95,600
Miscellaneous income	13,300
Total other additions	108,900
Total additions	27,024,400
Deductions:	
Benefits paid to participants	8,774,000
Administrative expenses	86,600
Participant investment advisory fees	56,600
Total deductions	8,917,200
Net increase in fiduciary net position	18,107,200
Fiduciary net position:	
Beginning of year	100,761,200
End of year	\$ 118,868,400

See accompanying notes to financial statements.

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Notes to Financial Statements

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**(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 with Great West Life & Annuity Insurance Company d/b/a Empower Retirement (Empower Retirement) to provide recordkeeping and communication services for the Plan. The Board engages 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 agreement 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 base compensation that each participant contributes to the SRSP. The SRSP was amended in 2013 to authorize employer discretionary contributions to qualifying participants. There was \$29 thousand of discretionary contributions in 2019.

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Employer 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. The matching contribution is allocated to the participants' accounts and is participant directed. 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 contribution (if any) including any income, gains, losses, or 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.

In addition to the participants' and employer contributions, any discretionary contributions and earnings thereon to qualifying participants 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 participants 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 thousand.

The minimum loan amount that a participant may request is \$1 thousand and the maximum is \$50 thousand or 50% of the vested account balance, whichever is less. The \$50 thousand 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.

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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.

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 are 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***

On termination of service, a participant with a balance of \$1 thousand 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 thousand 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 29, 2015, 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 Orchard Trust Company, LLC, through a separate contract with the Board. 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 discontinuance 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.

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**(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 without regard to the date of actual collection. Expenses are recognized when due and payable. Benefit payments and refunds are recognized upon distribution.

**(c) 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 statements 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.

**(3) Investments**

The following table lists the investment options available to participants and the value of each option at December 31, 2019 (amounts are expressed in thousands):

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		<u>2019</u>
American Beacon Small CP Val Institutional	\$	3,892
American Funds Washington mutual		8,916
Arrowstreet Intl Equity A CWI Ex US Class A		4,209
Baron Growth Institutional		4,616
Cohen and Streers Institutional global Realty		1,064
Fidelity Global Ex US Index		2,377
Fidelity Total Market Index		17,946
Fidelity US Bond Index		3,354
Frost Total Return bond Institutional		3,909
Galliard Retirement Income Fund*		12,869
Northern Global sustainability Index		2,080
PIMCO High Yeld Institutional		2,164
T. Rowe Price Growth Stock Fund I		8,537
Vanguard Inflation-Protected Secs Adm		2,727
Vanguard Target Retirement 2015 Inv		1,874
Vanguard Target Retirement 2020 Inv		2,743
Vanguard Target Retirement 2025 Inv		11,397
Vanguard Target Retirement 2030 Inv		1,800
Vanguard Target Retirement 2035 Inv		7,254
Vanguard Target Retirement 2040 Inv		2,281
Vanguard Target Retirement 2045 Inv		5,247
Vanguard Target Retirement 2050 Inv		697
Vanguard Target Retirement 2055 Inv		1,419
Vanguard Target Retirement 2060 Inv		552
Vanguard Target Retirement 2065 Inv		28
Vanguard Target Retirement Income Inv		1,110
Vanguard Total Intl BD Idx Admiral		695
Vanguard Treasury Money Market Inv		1,044
Total Investments	\$	<u><u>116,801</u></u>

\* *Commingled fund*

The SRSP offered 26 mutual funds (including 12 target date funds), one money market fund and one commingled fund as investment options as of December 31, 2019. The net investment income (including gains and losses on investments bought and sold, as well as income received on investments during the year) during 2019 was approximately \$20.0 million.

**(a) Fair Value Measurement**

The SRSP has the following recurring fair value measurements as of December 31, 2019:

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**Investments and Derivative Instruments Measured at Fair Value**

(In thousands)

	December 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Mutual Funds	\$ 102,888	\$ 102,888	\$ -	\$ -
Commingled Fund	12,869	-	12,869	-
Total investments by fair value level	<u>\$ 115,757</u>	<u>\$ 102,888</u>	<u>\$ 12,869</u>	<u>\$ -</u>
<b>Investments measured at amortized cost</b>				
Money market funds	\$ 1,044			
Total investments measured at fair value	<u>\$ 116,801</u>			

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. The dollar amount of fees paid by the SRSP for investment management and administrative services on these funds are not separately disclosed. The fees are calculated and withdrawn from all participant accounts on a monthly basis.

Revenue generated from the funds that had revenue sharing arrangements with the recordkeeper (Frost Total Return Bond Institutional, Northern Global Sustainability, Baron Growth Institutional and Cohen & Steers Institutional Global Realty) were 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 2019 totaled \$86 thousand. Revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was \$13 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 2019, total participant investment advisory fees paid were \$56 thousand.



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**(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, one commingled fund, 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, one commingled fund, and one money market fund and therefore do not have credit risk. The mutual funds, commingled fund, 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 mutual funds held by 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:

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**Schedule of maturity, duration and credit quality**

	<u>Average effective maturity (years)</u>	<u>Average effective duration (years)</u>	<u>Average credit quality of underlying securities</u>
Target date funds:			
Vanguard Target Retirement 2015 Inv	7.43	5.92	AA
Vanguard Target Retirement 2020 Inv	7.84	6.21	A
Vanguard Target Retirement 2025 Inv	8.77	6.85	A
Vanguard Target Retirement 2030 Inv	8.77	6.85	A
Vanguard Target Retirement 2035 Inv	8.77	6.84	A
Vanguard Target Retirement 2040 Inv	8.78	6.86	A
Vanguard Target Retirement 2045 Inv	8.78	6.86	A
Vanguard Target Retirement 2050 Inv	8.78	6.86	A
Vanguard Target Retirement 2055 Inv	8.78	6.86	A
Vanguard Target Retirement 2060 Inv	8.77	6.85	A
Vanguard Target Retirement 2065 Inv	8.79	6.87	A
Vanguard Target Retirement Income Inv	7.28	5.81	AA
Fixed income mutual funds:			
Fidelity US Bond Index	7.70	5.75	AA
Frost Total Return Bond Institutional	4.93	2.98	BBB
PIMCO High Yield Institutional	4.57	2.85	-
Vanguard Inflation-Protected Secs Adm	8.30	7.38	AAA
Vanguard Total Intl BD Index Admiral	9.90	8.26	A
Commingled funds:			
Galliard Retirement Income Fund	3.42	2.82	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 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:

**DENVER WATER SUPPLEMENTAL RETIREMENT  
SAVINGS PLAN**

Notes to Financial Statements

December 31, 2019

**Schedule of assets in foreign currencies**

	<b>Percentage of fund invested in foreign securities</b>
American Beacon Small CP Val Institutional	2.2%
American Funds Washington mutual	8.2
Arrowstreet Intl Equity A CWI Ex US Class A	99.4
Baron Growth Institutional	2.4
Cohen and Streers Institutional global Realty	45.5
Fidelity Global Ex US Index	96.4
Fidelity Total Market Index	1.0
Fidelity US Bond Index	8.8
Frost Total Return bond Institutional	15.1
Northern Global Sustainability Index	38.1
PIMCO High Yeild Institutional	12.3
T. Rowe Price Growth Stock Fund I	12.1
Vanguard Target Retirement 2015 Inv	31.3
Vanguard Target Retirement 2020 Inv	34.2
Vanguard Target Retirement 2025 Inv	37.0
Vanguard Target Retirement 2030 Inv	37.4
Vanguard Target Retirement 2035 Inv	37.9
Vanguard Target Retirement 2040 Inv	38.3
Vanguard Target Retirement 2045 Inv	38.8
Vanguard Target Retirement 2050 Inv	38.8
Vanguard Target Retirement 2055 Inv	38.8
Vanguard Target Retirement 2060 Inv	38.7
Vanguard Target Retirement 2065 Inv	38.8
Vanguard Target Retirement Income Inv	30.0
Vanguard Total Intl BD Idx Admiral	95.0

**(7) SRSP Amendments**

Effective November 20, 2019, the SRSP was amended to disallow flat dollar contributions by participants.

**(8) Subsequent Events**

During the period from January 1, 2020, through May 5, 2020, both domestic and international equity markets have experienced large declines due to the global COVID-19 pandemic. These losses are not included in the financial statements as of and for the year ended December 31, 2019.



**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, 2019, 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 5, 2020.

**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) to determine the 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 Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Denver, Colorado  
May 5, 2020