EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

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INDEPENDENT AUDITORS' REPORT

The Board of Water Commissioners, City and County of Denver, Colorado
Employees' Retirement Plan of the Denver Board of Water Commissioners
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position and statements of changes in fiduciary net position of the Employees' Retirement Plan of the Denver Board of Water Commissioners (the Plan), as of and for the years ended December 31, 2016 and 2015, 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 entity'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 entity'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, 2016 and 2015, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 3-7 and Schedules of Changes in Net Pension Liability and Related Ratios, Employer Allocations and Investment Returns on pages 25-27 are 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 April 28, 2017, 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 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

CliftonLarsonAllen LLP

Broomfield, Colorado
April 28, 2017

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

This is an analysis and overview of the financial activities of the Employees' Retirement Plan of the Denver Board of Water Commissioners (Plan) as of and for the years ended December 31, 2016 and 2015. This information should be read in conjunction with the financial statements and notes which follow.

Financial Highlights

As of December 31, 2016 and 2015, $314.4 million and $298.6 million, respectively, were held in trust for the payment of Plan benefits, and to meet the Plan's future obligations to its participants.

For 2016, the net position restricted for pension of the Plan increased by $15.8 million or 5.3%. This compares with a $3.8 million decrease or 1.2% in 2015. The increase in the Plan's net position restricted for pension in 2016 and the decrease in the Plan's total net position restricted for pension in 2015 are primarily due to changes in the fair value of the Plan's investments. Fair value of investments increased $14.9 million or 5.1% in 2016 and decreased $3.9 million or 1.3% in 2015. Plan returns for 2016 and 2015 were 7.5% (7.2% net of fees) and 1.1% (0.8% net of fees), respectively.

Additions to the Plan's net position restricted for pension in 2016 included employer contributions of $14.5 million and net investment income of $21.3 million resulting in total additions to the Plan's net position restricted for pension of $35.8 million. Additions to the Plan's net position restricted for pension in 2015 included employer contributions of $14.5 million and net investment income of $2.5 million resulting in total additions to the Plan's net position restricted for pension of $17.0 million.

Deductions from the Plan's net position restricted for pension for 2016 were $20.0 million compared to $20.7 million in 2015, a decrease of 3.6 %. Retirement benefit payments were $19.8 million in 2016 and $20.6 million in 2015 resulting in a decrease in benefit payments of $773,000 or 3.8%.

The Plan's investment objective is to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial earnings rate and to prudently manage the inherent investment risks that are related to the achievement of this goal. As of January 1, 2016 and 2015, the dates of the latest actuarial valuations, the funded ratio for the Plan was 84.9% and 82.8%, respectively.

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. Statements of Fiduciary Net Position

2. Statements of Changes in Fiduciary Net Position

3. Notes to Financial Statements

4. Required Supplementary Information

The Statements of Fiduciary Net Position include information about Plan assets, liabilities and net position restricted for pension, as applicable as of December 31, 2016 and 2015.

The Statements of Changes in Fiduciary Net Position show the additions to, deductions from, and net increase (or decrease) in the Plan's net position restricted for pension during 2016 and 2015.

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 applicable GASB pronouncements including GASB Statement No. 40, *Deposit and investment Risk Disclosures* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires the reporting of deferred inflows and deferred outflows of resources in separate sections of the Statement of Fiduciary Net Position, which was renamed from Statement of Net Position. 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 Plan's assets and liabilities as of December 31, 2016 and 2015, and the activities that occurred during those years. Both 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.

Required Supplementary Information prepared in accordance with U.S. generally accepted accounting principles, provides additional information about the Plan's progress in funding its future obligations and the history of the Denver Board of Water Commissioners (Board) contributions to the Plan.

Changes in Net Position Restricted for Pension

The Statements of Fiduciary Net Position display Plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the net position restricted for pension, as applicable at year-end. The Statements of Changes in Fiduciary Net Position provide information on the source of the change in net position restricted for pension during the year. The increase in total assets of $15.8 million or 5.3% in 2016 was primarily the result of an increase in the fair value of investments. Comparatively, in 2015, total assets decreased $4.3 million or -1.4%. The decrease in 2015 was primarily the result of a decrease in the fair value of investments.

Winslow Capital Management, Inc. and Advisory Research, Inc. reported cash and cash equivalents as of December 31, 2016. Cash and cash equivalents are also held in the custodial cash account used for disbursement of benefit payments and administrative expenses. Many of the other managers have cash holdings from time to time but do not specifically identify them in their reporting.

As of December 31, 2016, 2015 and 2015, the Plan's net position was:

Net Position Restricted for Pension

(Amounts expressed in thousands)

	Years ended December 31			2016 – 2015		2015 – 2014	
	2016	**2015**	**2014**	**Increase (decrease)**	**Percentage change**	**Increase (decrease)**	**Percentage change**
Cash and cash equivalents	$ 4,096	3,272	3,716	824	25.2%	$ (444)	(11.9)%
Dividends, interest, and other receivables	438	425	364	13	3.1	61	16.8
Investments, at fair value	310,055	295,137	299,073	14,918	5.1	(3,936)	(1.3)
Total assets	314,589	298,834	303,153	15,755	5.3	(4,319)	(1.4)
Total liabilities	172	260	814	(88)	(33.8)	(554)	(68.1)
Net position restricted for pension	$ 314,417	298,574	302,339	15,843	5.3%	$ (3,765)	(1.2)%

Liabilities of the Plan for 2016 and 2015 consisted primarily of unpaid, but earned investment manager fees and amounts related to unsettled investment trades. In 2016, liabilities consisted primarily of outstanding investment expenses of $163,600. In comparison, in 2015, liabilities consisted primarily of unsettled trades of $78,800 and outstanding investment expenses of $180,200. The change in the net position restricted for pension is a function of the change in total assets offset by the change in total liabilities. The Plan recorded an increase in net position restricted for pension of $15.8 million in 2016 and a decrease of $3.8 million in 2015.

Additions

The funds needed to pay benefits are accumulated from the contributions approved by the Board and the income generated from the Plan's investments, including interest, dividends, and proceeds from the sale of individual investments. Any earnings on investments are reported net of investment management expenses. Board-approved contributions for 2016 and 2015 totaled $14.5 million. The Board has approved contributions of amounts more than the actuarially determined contribution for nine of the last 10 years.

Additions to Net Position Restricted for Pension

(Amounts expressed in thousands)

	Years ended December 31			2016 – 2015		2015 – 2014	
	2016	**2015**	**2014**	**Increase (decrease)**	**Percentage change**	**Increase (decrease)**	**Percentage change**
Employer contributions	$ 14,500	14,500	14,500	—	—%	$ —	—%
Net investment income	21,326	2,473	18,523	18,853	762.4	(16,050)	(86.6)
Total additions, net	$ 35,826	16,973	33,023	18,853	111.1%	$ (16,050)	(48.6)%

(Continued)

Deductions

Annual Plan expenditures include retirement benefits, death benefits, refunds of employee contributions with associated interest and administrative expenses. The Plan's normal benefit is a single life annuity to retired members, but members may elect to receive benefits in various other forms, including a lump sum or annuities that provide spousal benefits upon the death of the member. Please refer to the Plan document for detailed information regarding the Plan. For the year ended December 31, 2016, annual Plan deductions totaled $20.0 million which compares with $20.7 million in 2015. This represents a decrease in deductions in 2016 of 3.6% as compared to an increase in 2015 over 2014 of 1.1%. The decrease in total deductions in 2016 was primarily due to a decrease in retirement benefit payments.

Deductions to Net Position Restricted for Pension

(Amounts expressed in thousands)

	Years ended December 31			2016 - 2015		2015 - 2014	
	2016	2015	2014	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Retirement benefits	$ 19,808	20,581	20,214	(773)	(3.8)%	$ 367	1.8%
Death benefits	105	85	85	20	23.5	—	—
Refunds of employee contributions	18	28	66	(10)	(35.7)	(38)	(57.6)
Administrative expenses	52	44	144	8	18.2	(100)	(69.4)
Total deductions	$ 19,983	20,738	20,509	(755)	(3.6)%	$ 229	1.1%

(Continued)

Investment Activities

Fiscal year 2016 was marked by a series of drawdowns and recoveries, driven by a number of political events such as Brexit, the U.S. election, and the Chinese currency devaluation. Despite highly volatile markets, a year-end rally pushed U.S. stocks to double digit gains driven largely by the energy, telecom and financial sectors. For U.S.-based investors, international equity markets disappointed as a strengthening U.S. Dollar and poor results from emerging markets led to underperformance relative to U.S. markets during the year, particularly in the period immediately following the 2016 presidential election. After declining over the first half of 2016 to multi-year lows, interest rates moved upward beginning in July to finish the year slightly higher. The fourth quarter increase was particularly sharp and led to the worst quarterly return for the Barclays U.S. Aggregate Bond Index in 35 years. The Federal Reserve unanimously voted to raise their benchmark Fed Funds Rate at their December meeting. Forward guidance from the Federal Open Market Committee (FOMC) suggested a possibility of three additional upward adjustments in 2017, an increase from prior releases that suggested two hikes. FOMC actions and forward looking statements were supported by positive economic data as the unemployment rate reached a nine-year low, initial jobless claims remained close to multi-year lows and wage growth signaled a tightening labor market.

Denver Water's Retirement Plan posted a 7.5% gain (7.2% net of fee return), above the Plan's customized benchmark return of 7.2% for 2016. The private equity segment was the best absolute performer, posting a 10.4% gain for the year followed closely by domestic public equities with 10.3% return. Real Estate managers returned 9.5% during 2016, slightly above the benchmark NCREIF ODCE index return of 9.3%. International equities were the best relative performer during the year, posting an 8.4% return, beating the benchmark, MSCI ACWI Net index return by 3.9 percentage points. The fixed Income segment reported a 4.2% return for the year versus the Barclays Aggregate Bond index return of 2.6%. Hedge Funds returned 2.5% and outperformed their benchmark index, HFR Fund of Funds Composite, by 2 percentage points.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Plan's financial status as of December 31, 2016 and 2015, and changes in financial status for the years 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

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Statements of Fiduciary Net Position

Years ended December 31, 2016 and 2015

		2016	2015
Assets:			
Cash and cash equivalents	$	4,096,000	3,272,400
Dividends, interest and other receivables		438,200	424,900
Investments, at fair value:			
Equities:			
Common stock		11,050,900	9,919,700
Common stock funds		156,920,300	143,157,700
Preferred stock		—	98,300
Other equities		—	8,731,900
Total equities		167,971,200	161,907,600
Fixed income:			
Government bonds		—	4,363,000
Government bonds- funds		—	14,606,700
Municipal/provincial bonds		—	997,900
Corporate bonds		—	9,844,400
Other fixed income funds		51,791,400	14,606,500
Total fixed income		51,791,400	44,418,500
Real estate funds		56,126,000	57,665,600
Hedge funds		31,164,900	30,231,600
Private equity funds		3,001,600	914,000
Total investments		310,055,100	295,137,300
Total assets		314,589,300	298,834,600
Liabilities:			
Accrued administrative expense		1,100	1,000
Accrued investment expense		163,600	180,200
Securities payable		7,600	78,800
Total liabilities		172,300	260,000
Net position restricted for pension	$	314,417,000	298,574,600

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2016 and 2015

		2016	2015
Additions:			
Employer contributions	$	14,500,000	14,500,000
Investment income:			
Net appreciation (depreciation) in fair value of investments		18,030,600	(976,100)
Interest		1,201,100	1,969,600
Dividends		2,376,400	2,025,700
Real estate income, net of operating expenses		1,994,000	1,722,900
		23,602,100	4,742,100
Less investment expense		(2,276,000)	(2,268,800)
Net investment income		21,326,100	2,473,300
Total additions		35,826,100	16,973,300
Deductions:			
Retirement benefits		19,808,500	20,580,500
Death benefits		105,000	85,000
Refunds of employee contributions		18,100	28,000
Administrative expenses		52,100	44,200
Total deductions		19,983,700	20,737,700
Net increase (decrease) in fiduciary net position		15,842,400	(3,764,400)
Net position restricted for pension:			
Beginning of year		298,574,600	302,339,000
End of year	$	314,417,000	298,574,600

See accompanying notes to financial statements.

(1) Plan Description

(a) Plan Administration

The Board of Water Commissioners, City and County of Denver, Colorado (the Board), adopted the Employees' Retirement Plan of the Denver Board of Water Commissioners (Plan) in 1944. It is a defined benefit, single-employer plan covering substantially all regular employees of the Board.

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, administrator and trustee of the assets of the Plan. The Board has delegated certain responsibilities regarding the Plan administration through a delegation resolution to the Chief Human Resources Officer and to the Chief Finance Officer. The delegation resolution instructs the CEO/Manager to create an advisory committee, with representation from the Finance, the Human Resources, and the Legal divisions, for the purpose of making recommendations to the CEO/Manager, the Chief Finance Officer and the Chief Human Resources Officer regarding the Retirement Program. The advisory committee, in and of itself, has no decision-making authority. The Plan is exempt from compliance with the Employee Retirement Income Security Act of 1974, as amended, as it is a governmental plan.

Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Board develops long-term asset allocation ranges, while the Chief Finance Officer is charged with developing and implementing a current asset allocation and rebalancing strategy, which is designed to reflect, and be consistent with the Board-approved long term asset allocation ranges. Please refer to the notes of the financial statements under "Investment Policy" for more information on asset allocations.

(b) Plan Membership

All regular and discretionary employees of the Board become participants of the Plan upon completion of the required introductory period. As of January 1, 2016, there were 1,720 Plan participants: 100 were deferred vested participants, 604 participants were retired, 1,004 participants were active and 12 were on long term disability.

(c) Benefits Provided

Participants become fully vested after five years of employment. The normal retirement age is 65. An employee who reaches age 55 and has 5 years of service is eligible to receive a reduced early retirement benefit. Unreduced retirement benefits prior to age 65 are provided for employees who are a minimum of age 55, whose age and years of service totaled 75 on the last day of employment and whose employment ends at age 50 or later. The service requirement for entitlement to spousal benefits is 5 years of service with the benefit commencing when the employee would have reached age 55. The Plan also provides for retirement benefits in the event of total and permanent disability, as determined by the Board.

Terminated vested participants or surviving spouses whose severance date occurs before the attainment of age 55 shall be eligible to elect a full single lump sum payment only in lieu of a monthly pension within 90 days of his or her severance date.

Plan benefits are integrated with Social Security benefits and are determined by a formula defined in the Plan document. The minimum normal benefit amount is calculated by multiplying the Plan participant’s number of years of credited service times the amount of the participant’s average final compensation times 1.5%. Employees with final income exceeding covered compensation receive an additional 0.45% times years of credited service times average final compensation in excess of covered compensation. The Plan also includes a benefit provision in the event a participant dies prior to the date the member quits, retires or is discharged. In general the participant’s spouse or beneficiary will receive 50% of the participant’s accrued benefit. The Plan document contains detailed provisions regarding Plan benefits.

Benefits paid by the Plan are adjusted annually by the change in the Consumer Price Index, subject to a minimum payment equal to the amount of the initial benefit and a maximum annual increase of 4.4% for employees retiring on or after September 1, 1995 and 5% for employees who retired before September 1, 1995. Changes in the Consumer Price Index in excess of the amount of the maximum annual adjustment are applied toward future adjustments.

The Board reserves the right to amend the Plan, including its benefit provisions; however, any amendment that substantially impairs the property rights of participants will not become effective until approved by two-thirds of the participants.

In December, 2016, the Board approved changes to the pension plan. The changes require employees to contribute to the pension plan, commencing in 2018. In addition, the Board created a second tier plan for new employees hired on or after January 1, 2018. The new tier plan has a different benefit and does not provide a cost of living adjustment. These changes are expected to lower long-term liability of the Plan and help keep the Board’s annual contribution stable.

(d) Contributions

The Plan was established, and is sponsored and administered by the Board, under authority of Article X, Section 10.1.6 of the Charter of the City and County of Denver, Colorado. The Plan document provides for periodic Board contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. The Board’s funding policy during 2014 and in prior years provided for periodic Board contributions of at least the actuarially required contribution (ARC) sufficient to accumulate the necessary assets to pay benefits when due. On August 28, 2013, the Board adopted the Employees’ Retirement Plan Funding Policy effective for 2015 and future years. The policy defines the objectives of the Board in funding the benefits to be paid by the Plan. In accordance with the policy the Board will base its contributions to the Plan on Actuarially Determined Contributions (ADC) calculated annually by an independent actuary, using agreed upon methods and assumptions developed by the Actuarial Standards Board and specified in the funding policy.

The Board made contributions totaling $14.5 million during 2016 and 2015, in accordance with actuarial valuations performed as of January 1, 2016 and 2015, respectively.

Prior to January 1, 1992, employees were required to contribute to the Plan. The Board amended the Plan to disallow further employee contributions and determined that all amounts previously contributed to the Plan by employees would be refunded, with interest at 5% per annum, upon termination or retirement. Payments of $18,100 and $28,000 were made in 2016 and 2015, respectively, for employees who had retired or were terminated during the respective year. As of December 31, 2016 and 2015, total remaining employee contributions including accrued interest was $50,900 and $65,400, respectively. These amounts are not accrued as liabilities in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

(a) 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 benefit plans. Employer contributions are recognized when made, because there are no required due dates for contributions. Other additions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document. Plan expenses, other than benefits and refunds are recognized on the accrual basis in accordance with generally accepted accounting principles.

(b) Plan Expenses

Certain expenses are paid from the assets of the Plan and are recorded as administrative expenses on the financial statements. These expenses include actuarial fees, auditing expenses, benefit payment processing fees, legal fees and other miscellaneous expenses.

Additionally, investment manager fees and investment consulting expenses are recorded as investment expenses.

(c) Fair Value of Investments

The Governmental Accounting Standards Board (GASB) implemented statement 72, which addresses accounting and financial reporting issues related to fair value measurements. This Statement 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. The Plan has adopted GASB statement 72 and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2016 and 2015:

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Notes to Financial Statements

December 31, 2016 and 2015

Investments and Derivative Instruments Measured at Fair Value
($ in thousands)

			2016 Fair Value Measurements Using		
		December 31, 2016	**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					
Debt securities					
Other fixed income funds		51,791	-	51,791	-
Total debt securities		51,791	-	51,791	-
Equity securities					
Common stock	$	11,051	11,051	-	-
Common stock funds		156,920	141,250	15,670	-
Total equity securities		167,971	152,301	15,670	-
Total investments by fair value level	$	219,762	152,301	67,461	-
Investments measured by the net asset value (NAV)					
Real estate funds	$	56,126			
Hedge funds		31,165			
Private equity funds		3,002			
Total investments measured by the NAV		90,293			
Total investments measured at fair value	$	310,055			

			2015		
		December 31, 2015	**(Level 1)**	**(Level 2)**	**(Level 3)**
Investments by fair value level					
Debt securities					
Government bonds	$	4,363	-	4,363	-
Municipal/Provincial bonds		998	-	998	-
Corporate bonds		9,844	-	9,844	-
Fixed income funds		14,607	14,607	-	-
Other fixed income funds		14,606	-	14,606	-
Total debt securities		44,418	14,607	29,811	-
Equity securities					
Common stock		24,403	24,403	-	-
Common stock funds		137,406	123,343	14,063	-
Preferred stock		98	98	-	-
Total equity securities		161,907	147,844	14,063	-
Total investments by fair value level	$	206,325	162,451	43,874	-
Investments measured by the net asset value (NAV)					
Real estate funds		57,666			
Hedge funds		30,232			
Private equity funds		914			
Total investments measured by the NAV		88,812			
Total investments measured at fair value	$	295,137			

Equity securities, fixed income funds and common stock funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities 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. Pricing for all securities was provided by a third party pricing vendor and developed in accordance with the provisions of GASB Statement No. 72. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2016 and 2015 is presented on the following table.

($ in thousands)

	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
2016				
Real estate funds	56,126	2,152	Quarterly/None	45-90 days
Hedge funds	31,165	-	Quarterly	45-90 days
Private equity funds	3,002	9,381	None	N/A
Total investments measured at the NAV	$ 90,293	$ 11,533		
2015				
Real estate funds	57,666	18,125	Quarterly/None	45-90 days
Hedge funds	30,232	-	Quarterly	45-90 days
Private equity funds	914	11,066	None	N/A
Total investments measured at the NAV	$ 88,812	$ 29,191		

Real Estate funds

In 2016, this fund category included three open-end and one closed-end real estate fund. In 2015, the fund category included four open-end and one closed-end real estate fund and one that invest primarily in U.S. commercial real estate. Open-end funds are reported at fair value based upon the NAV of shares/units held at year end, provided by fund managers The closed end fund, Harbert United States Real Estate Fund V, L.P., is reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment manager. Based on the valuation policies and procedures provided by investment managers, all investments contained in the real estate funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Generally, individual holdings contained in the real estate funds are recorded at their estimated fair value using a combination of the income, cost and sales comparison methods. Managers use independent appraisers to determine the value of the holdings at least on an annual basis. The majority of holdings are classified within Level 3 of the valuation hierarchy. The individual real estate holding values do not necessarily represent the prices at which the real estate investments would be sold or repaid, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Amounts ultimately realized from each investment may vary materially from the fair values reflected in the manager statements.

Investments in the open-end real estate funds can be redeemed with the fund managers at of the end of a calendar quarter. Redemption requests are subject to certain restrictions and the availability of cash. Should redemption requests exceed such available cash, the funds prorate available cash among withdrawing investors according to the ratio of the requesting investor's units to the total units of all investors then requesting redemptions. Any redemption request that is not fully honored in any given quarter is deemed effective in following quarters until completed. The funds are not obligated to sell assets, borrow funds, alter investment or capital improvement plans or reduce reserves in order to honor redemption requests.

The investment in the closed-end fund, which represent approximately 21.4 percent of the value of the investments in this type, cannot be redeemed. Distributions from the fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

Hedge funds

In 2016, this fund category includes investment in one hedge fund that is a multi-strategy fund pursuing a variety of absolute return strategies, investing in a wide range of financial instruments, including, but not limited to, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate or sovereign debt, bonds, notes or other debentures or debt participations, commodities, partnership interests, interests in investment companies, convertible securities, swaps, options (purchased or written), swaptions, futures contracts and other derivative instruments markets and relative value, as well as private investment funds (hedge fund of funds). The fair values of the investments in this category have been determined using the NAV per share of the investments, as provided by the investment manager. Based on the valuation policies and procedures provided by the investment manager, all investments contained in hedge funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. The majority of holdings in Blackrock Appreciation IV Fund, which invests primarily in private investment funds, are not categorized in the fair market value hierarchy and are valued using NAV per share. The fund limits the amount that can be redeemed each quarter to 25% of each investor's total investment. As of December 31, 2016, the Plan had a balance of $19,321 as a holdback withheld by Visium Global Fund, LP, under the terms of the investment agreement, following the Manager's termination and subsequent closure of the fund. The holdback constituted approximately 0.4% of the Plan's investment as of May 4, 2016, the date of termination. The timing of the distribution of the holdback will be determined by the Manager.

Private Equity Funds

In 2016 and 2015, this fund category includes investments in two private equity fund-of-funds, which invest in private investment funds. Aberdeen U.S. Private Equity VI, L.P., which is a buyout fund-of-funds, offers a concentrated multi-manager approach with 14-16 private equity managers along with selective co-investments and secondary investments and focuses on small-to-medium sized companies. Horsley Bridge Venture XI, L.P., which is a venture fund-of-funds, is expected to invest in 15-20 established and emerging private equity managers providing seed and early stage exposure to the technology sector in the United States, Europe and Asia.

Private equity funds are reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment managers. Based on the valuation policies and procedures provided by investment managers, all investments contained in private equity funds of funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Fund of funds managers rely on the values reported by the underlying private equity managers to prepare the funds' financial reports. If audited capital values are not available, a combination of the roll forward method of valuation, independent auditor confirmation of valuation, and review of the unaudited values is used as an alternative valuation method.

The investment in the private equity funds of funds can never be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 12 to 15 years.

(d) Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service (IRS) dated June 11, 2014 for amendments enacted through June 27, 2012, the Plan is exempt from federal income taxes. Although the Plan has been subsequently amended, the Board is of the opinion that the Plan, as amended, meets the IRS requirements and, therefore, continues to be tax exempt.

(e) Use of Estimates

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

(3) Investments

(a) Investment Policy

The Plan's investment policy and any changes to the policy are adopted by the Board acting in its capacity as Trustee of the Plan. The most recent version of the policy was approved on September 28, 2016 and contains a few minor edits to clarify the language of the document.

The primary objective of the Board's investment policy is to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial return rate and to prudently manage the inherent investment risks that are related to the achievement of this goal. The Board recognizes that the investment objective is long term in nature, and that actual year-to-year returns achieved may be above or below the actuarially assumed rate of return.

Long-term asset allocation ranges are developed based on several factors including: the long-term investment goals of the Plan; the Board's tolerance for short-term losses; the Plan's liquidity needs; and any legal or regulatory requirements.

As of December 31, the Plan's long-term asset allocation ranges were as follows:

Long Term Asset Allocation Ranges

Asset segment	Allowable range Years ended December 31 2016	2015
Equities	35%–70%	35%–70%
Fixed Income	10–50	10–50
Alternative	10–40	10–40

(b) Money-Weighted Rate of Return

For the years ended December 31, 2016 and 2015, respectively, the annual money-weighted rate of return on Plan investments, net of investment expense, was 7.2% and 0.8%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

(c) Custody and Management of Assets

During 2016 and 2015, the Northern Trust Company served as asset custodian for all Plan assets. The Board has elected to hire professional investment managers to invest the assets of the Plan on a fully discretionary basis, subject to the investment policy of the Board. Each manager is evaluated periodically against the appropriate benchmark for his/her asset class and style. Failure to achieve the desired result does not necessitate, nor does achievement of the desired result preclude, termination of investment managers.

During 2016 and 2015, the Plan assets were managed by the following investment managers:

Aberdeen Asset Management Inc.	Since August 2015
Advisory Research Inc.	Since January 2012
Babson Capital Management LLC	Since August 2013
BlackRock Alternative Advisors	Since March 2012
BlackRock Institutional Trust Company N.A.	Since May 2016
Denver Investment Advisors, LLC	Terminated June 2016
Dimensional Fund Advisors, LP	Since February 2008
Harbert Management Corporation	Since July 2014
Harding Loevner Funds, Inc.	Since August 2011
Horsley Bridge Venture	Since July 2015
JP Morgan Investment Management, Inc.	Terminated October 2016
Northern Trust Investments, N.A.	Since July 2006
Pacific Investment Management Company, LLC	Terminated April 2016
Principal Global Investors, LLC	Since March 2016
Prudential Real Estate Investors	Terminated March 2016
Fidelity Institutional Asset Management	Since July 2011
RREEF America LLC	Since January 2015
UBS Realty Investors, LLC	Since May 1998
Vanguard Group, Inc.	Since February 2012
Visium Asset Management	Terminated May 2016
Vontobel Asset Management, Inc.	Terminated April 2016
Winslow Capital Management, LLC	Since August 2011

(d) 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.

All securities are held in a bank trust account in the Plan's name by the Plan's custodian except for investments in mutual and commingled funds, and limited partnerships, which by their nature, may have an independent custodian for the fund assets. Investments in short-term investment funds and in a domestic equity index fund are held in a SEC-registered pooled fund managed by the fund's custodian bank. At December 31, 2016 and 2015, there were no deposits subject to custodial credit risk.

(e) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Since the debt investment portfolio may contain holdings with prepayments and variable cash flows, an analysis of interest rate risk using the segmented time distribution method is presented in the schedule below:

Schedule of Interest Rate Risk – Segmented Time Distribution of Investment Maturities as of December 31, 2016

Investment type		Fair value/NAV	Less than 1 year	1 to 6 years	6 to 10 years	10+ years	Maturity not determined**
Other fixed income funds		51,791,378					51,791,378
Total	$	51,791,378	—	—	—	—	51,791,378

** Amounts represent investments in commingled funds. Maturities of individual securities held by the funds are not reported by the fund.

(f) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of December 31, 2016, the Plan has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in diversified mutual funds, external investment pools, and other pooled investments are excluded.

(g) Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations to the Plan. There are no Plan-wide policy limitations for credit risk exposures within the portfolio. Each portfolio is managed in accordance with an investment contract that is specific as to permissible credit quality ranges, the average credit quality of the overall portfolios, and issuer concentration.

The quality ratings of investments in fixed income securities as described by Standard and Poor's and Moody's rating organization as of December 31, 2016 are listed below. For securities with split ratings, the lowest rating is shown.

Schedule of Credit Risk as of December 31, 2016

Investment type	Quality rating		Fair value	Percentage of asset class
Other fixed income funds	NR/NA[1]		51,791,378	100%
Total fixed income securities		$	51,791,378	

[1] NR/NA indicates the securities were either not able to be categorized into any other ratings or the rating was not available to the custodian.

(h) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit. The Plan holds investments in mutual funds and hedge funds whose underlying securities are invested in multiple foreign currencies and are subject to foreign currency risk.

The following table provides the Plan's maximum exposure to foreign currency risk in U.S. dollars as of December 31, 2016:

Schedule of Assets in Foreign Currencies

	Dollar allocation invested in foreign currencies	Percentage of asset class invested in foreign currencies
Equities		
Common stock funds	$ 52,451,117	31.2%
Hedge funds	13,447,306	43.2
Total	$ 65,898,423	

(i) Derivatives

Derivatives are financial instruments whose values depend upon, or are derived from, the value of something else, such as one or more underlying investments, indexes or currencies. Derivatives may be used both for hedging and to enhance returns. Derivatives may be traded on organized exchanges, or individually negotiated transactions with other parties, known as over-the-counter derivatives. Derivatives involve special risks and costs and may result in losses to the Plan. The successful use of derivatives requires sophisticated management, and, to the extent that derivatives are used, the Plan will depend on the investment managers and their advisors to analyze and manage derivatives transactions.

Certain commingled funds held by the Plan at the year-end were permitted through their individual investment guidelines to use derivative instruments, including forwards, futures, swaps, and options. Disclosures about derivative holdings of the commingled fund managers can be found in their respective audited financial statements. The Plan did not directly own any derivatives as of December 31, 2016 and 2015.

(4) Commitments

As of December 31, 2016, the Plan was a party to three limited partnership agreements with real estate and private equity managers that have unfunded capital commitments. Failure by the Plan to fund a capital call is considered a default under the agreements and various penalties, as defined, may be imposed upon the Plan for such failure. The commitment period for all partnerships extends until the Plan's capital commitment is fulfilled, or the partnership's term is reached. At December 31, 2016, the Plan had remaining unfunded capital commitments of $11.5 million. Subsequent to December 31, 2016 but prior to release of the financial statements $835,080 was called and paid resulting in a remaining unfunded amount of $10.7 million.

(5) Net Pension Liability of Denver Water

The components of the net pension liability of Denver Water at December 31, 2016 and 2015 were as follows:

		Years ended December 31, 2016	Years ended December 31, 2015
Total pension liability	$	381,718,280	371,430,910
Plan fiduciary net position restricted for pension		(314,417,000)	(298,574,600)
Denver Water's net pension liability	$	67,301,280	72,856,310
Plan fiduciary net position restricted for pension as a percentage of the total pension liability		82.37%	80.38%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016 and January 1, 2015 with a measurement date of December 31 and calculated based on the discount rates and actuarial assumptions below.

	December 31 2016	December 31 2015
Inflation	2.75%	2.75%
Salary increases: age-based rates from	6.25 to 3.35	6.25 to 3.35
Investment rate of return	7.25	7.25

The mortality rates for the years 2016 and 2015 were based on the RP-2000 Combined Healthy Mortality Table, and projected to 2020 using Scale BB.

The actuarial assumptions used in the January 1, 2016 and the January 1, 2015 valuation were based on an actuarial experience study for the period 2011-2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the annualized long-term geometric mean return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 and 2015 are summarized in the following table.

	January 1, 2016		January 1, 2015	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Asset class:				
Domestic fixed income	15.00%	0.75%	15.00%	0.75%
Domestic equity	37.50	5.10	32.50	5.10
International equity	20.00	5.30	20.00	5.00
Real estate	17.50	3.75	17.50	3.75
Hedge funds	10.00	3.00	10.00	3.00
MLPs	—	—	5.00	3.75

(b) Discount Rate

The discount rate used in the 2016 and 2015 actuarial valuation to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed contributions would be made at the current actuarially determined contribution rate. Based on these assumptions, the pension plan's net position restricted for pension was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In August, 2016 the Board approved a change to the expected rate of return on investments from 7.25% to 7.0% and the adoption of the fully generational mortality table RP 2014 with projection scale MP 2015. The updated assumptions reflect the long term return expectations as well as longer life expectancy and are effective January 1, 2017.

(c) Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.25% for 2016 and 2015, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

		1% Decrease	Current discount rate	1% Increase
2016		**6.25%**	**7.25%**	**8.25%**
Net pension liability	$	109,419,946	67,301,280	31,427,540
2015		**6.25%**	**7.25%**	**8.25%**
Net pension liability	$	114,468,034	72,856,310	37,689,433

(6) Related-Party Transactions

An affiliate of the Plan's custodian, Northern Trust Investments, N.A., is an investment manager for the Plan, which managed $50.8 million and $51.0 million of the Plan's investments at December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, the Plan incurred approximately $22,800 and $26,600, respectively, in management fees with this investment manager.

(7) Plan Amendment

On November 16, 2016 with an effective date of September 2, 2016, the Plan was amended to define the terms spouse, husband, and wife as an individual lawfully married to another individual for federal tax purposes and to define spouse to include a party to a Colorado civil union.

Effective for distributions after December 18, 2015, the Plan was amended to allow rollover contributions from the Plan to a SIMPLE IRA. The participant's non-spouse beneficiary may elect to have any portion of the Plan's distributions paid in a direct trustee-to-trustee transfer to an individual retirement account or as an annuity. If the Plan participant dies before benefit distributions, the required minimum distribution in the year of death may not be transferred.

In December 2016, the Board approved changes to the Plan with an effective date of January 1, 2018. Employees hired prior to January 1, 2018 will contribute 3% of their compensation that would be phased in over three years beginning in 2018. For employees hired after January 1, 2018, there will be a second tier plan for which employees will contribution 3% of their compensation beginning immediately upon hire, a benefit multiplier of 1.75%, special early retirement benefits under the rule of 85 at a minimum age of 60, and no cost of living adjustment. Employees who leave employment and choose not to receive a pension benefit will be refunded their contributions with an established rate of interest.

Effective December 9, 2015, the Plan was revised to be consistent with Denver Water's practices and to comply with requirements of the Internal Revenue Code and IRS Regulations and Revenue Rulings. The revision deletes outdated references to use of leave at time of retirement and clarify that "compensation" for the purpose of calculating pension benefits does not include the value of accrued sick and vacation leave paid to employees upon retirement, permits investment of funds in group trusts, allows for electronic forms of communication, and states that disbursement calculations for members who contributed after-tax dollars will be made in compliance with IRS Notice 2014-54.

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Schedule I

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

(Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability:										
Service cost	$ 7,329,581	6,756,642	6,071,395	6,046,257						
Interest on total pension liability	26,237,195	25,820,051	25,043,773	24,051,100						
Effect of plan changes	—	—	—	—						
Effect of assumption changes or inputs	—	10,152,400	—	—						
Effect of economic/demographic (gains) or losses	(3,347,806)	801,448	—	2,037,171						
Benefit payments	(19,931,600)	(20,693,500)	(20,365,600)	(17,850,600)						
Net change in total pension liability	10,287,370	22,837,041	10,749,568	14,283,928	—	—	—	—	—	—
Total pension liability, beginning	371,430,910	348,593,869	337,844,301	323,560,373						
Total pension liability, ending (a)	381,718,280	371,430,910	348,593,869	337,844,301	—	—	—	—	—	—
Plan fiduciary net position:										
Employer contributions	14,500,000	14,500,000	14,500,000	15,000,000						
Member contributions	—	—	—	—						
Investment income net of investment expenses	21,326,100	2,473,300	18,523,200	39,023,000						
Benefit payments	(19,931,600)	(20,693,500)	(20,365,600)	(17,850,600)						
Administrative expenses	(52,100)	(44,200)	(144,000)	(115,500)						
Net change in plan fiduciary net position	15,842,400	(3,764,400)	12,513,600	36,056,900	—	—	—	—	—	—
Fiduciary net position, beginning	298,574,600	302,339,000	289,825,400	253,768,500						
Fiduciary net position, ending (b)	314,417,000	298,574,600	302,339,000	289,825,400	—	—	—	—	—	—
Net pension liability, ending = (a) – (b)	$ 67,301,280	72,856,310	46,254,869	48,018,901	—	—	—	—	—	—
Plan fiduciary net position as a% of total pension liability	82.37%	80.38%	86.73%	85.79%						
Covered payroll	$ 75,740,030	75,990,457	71,847,268	71,940,163						
Plan's net pension liability as a% of covered payroll	88.86%	95.88%	64.38%	66.75%						

This schedule is intended to show 10 years of information. Additional years will be displayed when they become available.

EMPLOYEES’ RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Schedule II

Required Supplementary Information

Schedule of Employer Contributions

Year ended December 31, 2016

(Unaudited)

Year ended December 31	Actuarially determined contribution	Actual employer contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a% of covered payroll
2007	$ 6,981,523	7,277,159	(295,636)	58,578,510	12.42
2008	7,233,450	7,590,475	(357,025)	60,346,577	12.58
2009	11,871,976	14,500,000	(2,628,024)	65,721,304	22.06
2010	12,638,827	12,638,800	27	70,372,085	17.96
2011	12,414,279	15,400,000	(2,985,721)	69,926,961	22.02
2012	12,256,238	14,300,000	(2,043,762)	71,172,362	20.09
2013	11,957,548	15,000,000	(3,042,452)	71,940,163	20.85
2014	13,532,013	14,500,000	(967,987)	71,847,268	20.18
2015	14,067,795	14,500,000	(432,205)	75,990,457	19.08
2016	14,016,685	14,500,000	(483,315)	75,740,030	19.14

See accompanying independent auditors’ report.

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	Layered
Amortization period at 01/01/2014	15 years
Asset valuation method	3-year smoothed market
Inflation	2.75
Salary increases	Age-based rates from 6.25% to 3.35%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustments	None
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Turnover	Table of rates graded by years of service
Mortality	Healthy Lives: RP-2000 Combined Healthy Mortality Table projected to 2020 using Scale BB. Disabled Lives: RP-2000 Combined Healthy Mortality Table, set forward 3 years, and projected to 2020 using Scale BB.

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Schedule III

Required Supplementary Information

Schedule of Investment Returns

(Unaudited)

Fiscal year ending December 31,	Net money-weighted rate of return
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	15.35%
2014	6.44%
2015	0.81%
2016	7.16%

This schedule is intended to show 10 years of information. Additional years will be displayed when they become available.

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
Employees' Retirement Plan of the Denver Board of Water Commissioners
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 financial statements of fiduciary net position, and the related statements of changes in fiduciary net position of the Employees' Retirement Plan of the Denver Board of Water Commissioners, as of and for the years ended December 31, 2016 and, 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 28, 2017.

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 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 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 result 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

Broomfield, Colorado
April 28, 2017