DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Financial Statements

December 31, 2017 and 2016

(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 statements of fiduciary net position and statements of changes in fiduciary net position of the Denver Water Supplemental Retirement Savings Plan (the Plan), as of and for the years ended December 31, 2017 and 2016, 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.

Opinions

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, 2017 and 2016, 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 3-6 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 April 19, 2018, 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 the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 19, 2018

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Management's Discussion and Analysis

December 31, 2017 and 2016

(Unaudited)

This is an analysis and overview of the financial activities of the Denver Water Supplemental Retirement Savings Plan (SRSP) for the years ended December 31, 2017 and 2016. This information should be read in conjunction with the financial statements and notes, which follow.

Financial Highlights

As of December 31, 2017, $105.9 million was held in trust for the payment of SRSP benefits to the participants as compared to $87.8 million in 2016. This represents an increase in total SRSP fiduciary net position held in trust of $18.1 million or 20.7%.

Additions to the SRSP fiduciary net position for 2017 and 2016 included participant contributions of $4.3 and 4.5 million, respectively. Total Denver Board of Water Commissioners (Board) matching contributions in 2017 and 2016 were $2.0 million in each year. The Board also contributed an additional $4.8 million in 2017 due to a one-time non-elective contribution for the purpose of buying out employees' paid leave. The net investment income for 2017 was $14.3 million compared to $5.9 million in 2016. The increase in net investment income from 2016 to 2017 is primarily the result of market appreciation.

Total deductions from the SRSP fiduciary net position were $8.2 million in 2017 and $5.4 million in 2016. The deductions comprised retirement benefit payments of $8.1 million, participant investment advisory fees of $26,100, and administrative expenses of $76,900 in 2017. In 2016, the deductions comprised retirement benefit payments of $5.4 million, participant investment advisory fees of $17,800, and administrative expense of $62,300. Total deductions in 2017 were 51.3% more than those in 2016.

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, 2017, there were 904 employees contributing to the SRSP, or 91% of all eligible Denver Water employees. In comparison, as of December 31, 2016, there were 928 employees contributing to the SRSP, or 91% of all eligible Denver Water employees. There were 993 employees eligible to participate in the SRSP as of December 31, 2017 and 1,017 as of December 31, 2016.

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

The Statements of Fiduciary Net Position present the SRSP assets, liabilities and fiduciary net position as of December 31, 2017 and 2016. The Statements of Changes in Fiduciary Net Position show the additions to and deductions from SRSP fiduciary net position during 2017 and 2016.

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Management's Discussion and Analysis

December 31, 2017 and 2016

(Unaudited)

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. 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 years presented. 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 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 2017, 2016 and 2015.

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

Fiduciary Net Position
(Amounts expressed in thousands)

	Years ended December 31			2017 – 2016		2016 – 2015	
	2017	**2016**	**2015**	**Increase (decrease)**	**Percentage change**	**Increase (decrease)**	**Percentage change**
Mutual funds	$ 89,528	71,074	64,287	18,454	26.0%	$ 6,787	10.6%
Commingled fund	13,409	13,058	12,785	351	2.7	273	2.1
Money market fund	855	1,470	715	(615)	(41.8)	755	105.6
Total investments	103,792	85,602	77,787	18,190	21.2	7,815	10.0
Receivables:							
Contributions	235	244	262	(9)	(3.7)	(18)	(6.9)
Participant loans	1,929	1,920	1,543	9	0.5	377	—
Other receivable	—	2	8	(2)	(100.0)	(6)	(75.0)
Total receivables	2,164	2,166	1,813	(2)	(0.1)	353	19.5
Total assets	105,956	87,768	79,600	18,188	20.7	8,168	10.3
Total liabilities	8	5	18	3	60.0	(13)	(72.2)
Fiduciary net position	$ 105,948	87,763	79,582	18,185	20.7%	$ 8,181	10.3%

SRSP Activities

The fiduciary net position increased by $18.1 million or 20.7% in 2017 and by $8.2 million or 10.3% in 2016. Additional details for the change in fiduciary net position are discussed on the following pages.

Additions

The moneys used to pay benefits are 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 2017 and 2016 were $2.0 million. In 2016, the Board approved a new paid leave program in which, on a one-time basis only, any paid leave over an employees' target balance would be bought out by the employer and placed in the employees' retirement account. The increase in employer contributions from 2016 to 2017 of $4.8 million was due to a one-time non-elective employer contribution for the purpose of buying out the employees' paid leave. Net investment income was $14.3 million in 2017 as compared to net investment income of $5.9 million in 2016. The increase of net investment income from 2016 to 2017 was primarily due to market appreciation in fair value.

Additions to Fiduciary Net Position
(Amounts expressed in thousands)

	Years ended December 31			2017 – 2016		2016 – 2015	
	2017	2016	2015	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Employer contributions	$ 6,770	2,034	1,988	4,736	232.8%	$ 46	2.3%
Participant contributions	4,259	4,484	4,463	(225)	(5.0)	21	0.5
Participant rollovers	986	1,155	1,298	(169)	(14.6)	(143)	(11.0)
Participant loan interest	82	67	23	15	22.4	44	191.3
Miscellaneous income	24	25	21	(1)	(4.0)	4	19.0
Net investment income	14,299	5,858	114	8,441	144.1	5,744	5,038.6
Total additions	$ 26,420	13,623	7,907	12,797	93.9%	$ 5,716	72.3%

Deductions

Benefits paid to participants during the year represent the majority of the deductions from the SRSP. In 2017 and 2016, benefits paid were $8.1 million and $5.4 million respectively, an increase of 51.7%. In comparison, benefits paid to participants decreased 11.0% in 2016 over 2015. 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 $76,900 in 2017 and $62,300 in 2016. Administrative fees are calculated based upon a percentage of the fair value of investments. In 2017 and 2016, participant investment advisory fees were $26,100 and $17,800, respectively. Please refer to note 4 of the financial statements for a detailed explanation of SRSP administrative expenses.

Deductions from Fiduciary Net Position
(amounts expressed in thousands)

	Years ended December 31			2017 – 2016		2016 – 2015	
	2017	2016	2015	Increase	Percentage change	Increase (decrease)	Percentage change
Benefits paid to participants	$ 8,132	5,362	6,025	2,770	51.7%	$ (663)	(11.0)%
Administrative expenses	77	62	71	15	24.2	(9)	(12.7)
Participant investment advisory fees	26	18	20	8	44.4	(2)	(10.0)
Total deductions	$ 8,235	5,442	6,116	2,793	51.3%	$ (674)	(11.0)%

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, 2017 and 2016 and 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

DENVER WATER SUPPLEMENTAL RETIREMENT
SAVINGS PLAN

Statements of Fiduciary Net Position

December 31, 2017 and 2016

Assets	**2017**	**2016**
Investments, at fair value:		
Mutual funds	$ 89,527,700	71,074,300
Commingled fund	13,408,800	13,057,500
Money market fund	855,700	1,470,600
Total investments	103,792,200	85,602,400
Receivables:		
Employer contributions	76,900	77,500
Employee contributions	158,100	166,800
Participant loans	1,928,800	1,919,900
Other receivables	—	1,500
Total receivables	2,163,800	2,165,700
Total assets	105,956,000	87,768,100
Liabilities		
Accrued administrative expenses	7,500	4,800
Fiduciary net position	$ 105,948,500	87,763,300

See accompanying notes to financial statements.

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2017 and 2016

		2017	2016
Additions:			
Investment income:			
Net appreciation in fair value of investments	$	10,133,100	3,609,300
Dividends		4,165,100	2,248,300
Net investment income		14,298,200	5,857,600
Contributions:			
Employer contributions		6,770,000	2,033,800
Participant contributions		4,259,200	4,483,900
Participant rollovers		986,300	1,154,800
Total contributions		12,015,500	7,672,500
Other additions:			
Miscellaneous income		24,000	25,700
Participant loan interest		82,300	67,300
Total other additions		106,300	93,000
Total additions		26,420,000	13,623,100
Deductions:			
Benefits paid to participants		8,131,800	5,362,100
Administrative expenses		76,900	62,300
Participant investment advisory fees		26,100	17,800
Total deductions		8,234,800	5,442,200
Net increase		18,185,200	8,180,900
Fiduciary net position:			
Beginning of year		87,763,300	79,582,400
End of year	$	105,948,500	87,763,300

See accompanying notes to financial statements.

(1) Plan Description

The Board of Water Commissioners, City and County of Denver, Colorado (the Board), adopted the Denver Water Supplemental Retirement Savings Plan in 1999 (SRSP). 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 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, 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 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. As of December 31, 2017, there were 904 active employees out of 993 eligible employees participating in the SRSP. This compares with 928 active employees out of 1,017 eligible employees participating in the SRSP as of December 31, 2016. 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 were no discretionary contributions in 2017 and \$27,050 of discretionary contributions in 2016.

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 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 his/her participant and employer matching contributions is fully vested and non-forfeitable.

In addition to the participant's and employer contributions, any discretionary contributions 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 $2,000.

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

The Plan offers two loan options to the participants. One is a General Purpose Loan that has a term of twelve to sixty (12-60) months. No reason or documentation, other than a signed promissory note, is required when a participant requests a General Purpose Loan. The other is a Principal Residence Loan that has a term of 72-180 months, which 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 $1,000 or less will have the amount automatically distributed in a lump sum as soon as feasibly possible. A participant whose account is greater than $1,000 may elect to receive either a single lump-sum amount equal to the value of the participant's interest in his or her account at termination or take periodic distributions provided they meet minimum distribution requirements of IRC code section 401(a)(9). Distributions must start no later than age 70½. Participants may also specify that funds roll directly from their account to an eligible retirement plan. Upon the death of a participant, the account is paid to the participant's beneficiaries in a single lump sum.

(g) Record Keeping, 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.

(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 IRS has determined and informed the Board by a letter dated August 11, 2014, that the SRSP and related trust are designed in accordance with applicable sections of the IRC for amendments through June 12, 2013. The SRSP has been amended since receiving the determination letter. The Board and the SRSP tax counsel believe that the SRSP with subsequent amendments is currently designed and operating in compliance with applicable requirements of the IRC.

(3) Investments

The following table lists the investment options available to participants and the value of each option at December 31, 2017 and 2016 (amounts are expressed in thousands):

		2017	2016
American Beacon Small CP Val Institutional	$	3,765	3,510
American Funds Washington Mutual		9,271	7,628
Baron Growth Institutional		3,108	1,472
Cohen & Streers Institutional Global Realty		770	656
Domini Impact Equity Institutional		—	400
Fidelity Global Ex US Index Premium		1,378	—
Fidelity Total Market Index Institutional		17,666	—
Fidelity US Bond Index Premium		1,114	—
Frost Total Return Bond Institutional		4,486	4,027
Galliard Retirement Income Fund		13,409	13,058
Harbor International Institutional		5,167	4,954
Northern Global Sustainability Index		1,196	—
PIMCO High Yield Institutional		1,945	1,658
T. Rowe Price Growth Stock Fund		—	5,619
T. Rowe Price Growth Stock Fund I		8,344	—
Vanguard Inflation Protected		1,585	1,768
Vanguard Institutional Index Fund		—	8,268
Vanguard Mid Cap Index		—	8,570
Vanguard Target Retirement 2010 Inv		—	135
Vanguard Target Retirement 2015 Inv		2,192	2,163
Vanguard Target Retirement 2020 Inv		2,166	1,913
Vanguard Target Retirement 2025 Inv		9,789	7,592
Vanguard Target Retirement 2030 Inv		808	481
Vanguard Target Retirement 2035 Inv		6,075	4,093
Vanguard Target Retirement 2040 Inv		1,569	921
Vanguard Target Retirement 2045 Inv		4,527	3,675
Vanguard Target Retirement 2050 Inv		273	218
Vanguard Target Retirement 2055 Inv		935	541
Vanguard Target Retirement 2060 Inv		356	505
Vanguard Target Retirement Income Inv		765	306
Vanguard Total Intl BD Idx Admiral		277	—
Vanguard Treasury Money Market Inv		856	1,471
Total investments	$	103,792	85,602

The SRSP offered as investment options 25 mutual funds (including 11 target date funds), one money market fund and one commingled fund as of December 31, 2017. In 2016, the SRSP offered as investment options 26 mutual funds (including 12 target date funds), one money market fund and one commingled fund. The net investment income (including gains and losses on investments bought and sold, as well as income received on investments during the year) during 2017 and 2016 was approximately $14.3 million and $5.9 million, respectively.

(a) Fair Value Measurement

The SRSP has the following recurring fair value measurements as of December 31, 2017 and 2016:

Investments Measured at Fair Value
($ in thousands)

			Fair Value Measurements Using		
		December 31, 2017	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level					
Mutual Funds	$	89,528	89,528	-	-
Commingled Funds		13,409	-	13,409	-
Total investments by fair value level	$	102,937	89,528	13,409	-
Investments measured at amortized cost					
Money market funds	$	855			
Total investments measured at fair value	$	103,792			

		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					
Mutual Funds	$	71,074	71,074	-	-
Commingled Funds		13,058	-	13,058	-
Total investments by fair value level	$	84,132	71,074	13,058	-
Investments measured at amortized cost					
Money market funds	$	1,470			
Total investments measured at fair value	$	85,602			

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 is not separately disclosed. Effective January 2016, the total fee for recordkeeping and communication services was reduced to 0.075% annually (0.00625% monthly). The fee is being calculated and withdrawn from all participant accounts on a monthly basis. Revenue generated from the funds which had revenue sharing arrangements with the recordkeeper (Frost Total Return Bond Institutional, Harbor International Institutional Fund, T. Rowe Price Growth Stock Fund, 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.

In 2017, all fees and fund credits were directly debited or credited from the participant’s account. In 2016, the unallocated account was no longer used to accumulate fees and fund credits and any fees or fund credits were directly debited or credited to the participant’s account based on their account balance. At the end of 2016, the remaining balance of $1,500 in the unallocated account was reclassified as other receivables and disbursed to SRSP participants.

The assessed recordkeeping and communication fee for 2017 totaled $76,900. Revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was $24,000. The assessed recordkeeping and communication fee for 2016 totaled $62,300 and revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was $20,400.

(5) Participant Investment Advisory Fees

The plan participants may 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 2017 and 2016, total participant investment advisory fees paid were $26,100 and $17,800, respectively.

(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).

(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:

Schedule of maturity, duration and credit quality

	Average effective maturity (years)	Average effective duration (years)	Average credit quality
Target date funds:			
Vanguard Target Retirement 2015 Inv	7.44	5.83	AA
Vanguard Target Retirement 2020 Inv	8.07	6.24	AA
Vanguard Target Retirement 2025 Inv	8.63	6.62	A
Vanguard Target Retirement 2030 Inv	8.63	6.62	A
Vanguard Target Retirement 2035 Inv	8.63	6.62	A
Vanguard Target Retirement 2040 Inv	8.63	6.62	A
Vanguard Target Retirement 2045 Inv	8.63	6.62	A
Vanguard Target Retirement 2050 Inv	8.63	6.62	A
Vanguard Target Retirement 2055 Inv	8.63	6.61	A
Vanguard Target Retirement 2060 Inv	8.63	6.62	A
Vanguard Target Retirement Income Inv	7.17	5.65	AA
Fixed income mutual funds:			
Fidelity US Bond Index	7.70	5.80	AA
Frost Total Return Bond Institutional	5.80	3.40	BBB+
PIMCO High Yield Institutional	5.30	3.40	AA
Vanguard Inflation Protected	8.50	7.90	AAA
Vanguard Total Intl Bd Index Admiral	9.20	7.80	A
Commingled funds:			
Galliard Retirement Income Fund	3.59	2.82	AA

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The 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 (amounts are expressed in thousands):

Schedule of assets invested in foreign securities

		Dollar allocation invested in foreign securities	Percentage of fund invested in foreign securities
American Beacon Small CP Val Institutional	$	107	2.85%
American Funds Washington Mutual		887	9.57
Baron Growth Institutional		66	2.12
Cohen & Streers Institutional Global Realty		362	46.98
Fidelity Global Ex US Index Premium		1,333	96.75
Fidelity Total Market Index Institutional		189	1.07
Fidelity US Bond Index Premium		106	9.56
Frost Total Return Bond Institutional		491	10.94
Harbor International Institutional		4,058	78.54
Northern Global Sustainability Index		496	41.48
PIMCO High Yield Institutional		248	12.75
T. Rowe Price Growth Stock Fund I		533	6.39
Vanguard Target Retirement 2015 Inv		699	31.90
Vanguard Target Retirement 2020 Inv		756	34.90
Vanguard Target Retirement 2025 Inv		3,593	36.70
Vanguard Target Retirement 2030 Inv		300	37.10
Vanguard Target Retirement 2035 Inv		2,284	37.60
Vanguard Target Retirement 2040 Inv		595	37.90
Vanguard Target Retirement 2045 Inv		1,729	38.20
Vanguard Target Retirement 2050 Inv		105	38.30
Vanguard Target Retirement 2055 Inv		357	38.20
Vanguard Target Retirement 2060 Inv		136	38.20
Vanguard Target Retirement Income Inv		224	29.30
Vanguard Total Intl BD Idx Admiral		252	90.81
Total	$	19,906	

(7) SRSP Amendments

On December 6, 2017, the SRSP was amended to revise the definition of compensation and the definition of spouse and permitted deferral of compensation as a percentage or a dollar amount.

On December 14, 2016, the SRSP was amended with an effective date for distributions after December 18, 2015, to allow rollover contributions from the SRSP to a SIMPLE IRA. The participant's non-spouse beneficiary may elect to have any portion of the SRSP's distributions paid in a direct trustee-to-trustee transfer to an individual retirement account or as an annuity. If the SRSP participant dies before benefit distributions, the required minimum distribution in the year of death may not be transferred.

On November 16, 2016 with an effective date of September 2, 2016, the SRSP 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 January 1, 2016, and only for fiscal years 2016 and 2017, the SRSP was amended to permit the employer to make non-elective contributions to the participant's accounts of the participant's forfeited paid time off that is not or was not convertible to cash. This forfeited paid time off is subject to IRS contribution limitations applicable to non-elective contributions. If the IRS limitations are reached in 2016, any remaining forfeiture of paid time off will be contributed in 2017.

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 financial statements of fiduciary net position, and the related statements of changes in fiduciary net position of the Denver Water Supplemental Retirement Savings Plan, as of and for the years ended December 31, 2017 and 2016, 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 19, 2018.

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 19, 2018