EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

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KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

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

We have audited the accompanying statements of net position and statements of changes in net position of the Employees' Retirement Plan of the Denver Board of Water Commissioners (Plan) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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. 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 financial position of the Employees' Retirement Plan of the Denver Board of Water Commissioners as of December 31, 2013 and 2012, and the changes in financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 7 and the schedules of funding progress and employer contributions on pages 21 and 22 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.

KPMG LLP

Denver, Colorado
April 3, 2014

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Management's Discussion and Analysis

December 31, 2013 and 2012

(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, 2013 and 2012. This information should be read in conjunction with the financial statements and notes which follow.

Financial Highlights

As of December 31, 2013 and 2012, $289.8 million and $253.8 million, respectively, were held in trust for the payment of Plan benefits, and to meet the Plan's future obligations to its participants.

For 2013, the net position of the Plan increased by $36.1 million or 14.2%. This compares with a $25.5 million increase or 11.2% in 2012. The increase in the Plan's net position in 2013 and the increase in the Plan's total net position in 2012 are primarily due to changes in the market value of the Plan's investments. Investments increased $34.3 million or 13.6% in 2013 and increased $26.5 million or 11.7% in 2012. Plan returns for 2013 and 2012 were 15.7% and 12.7%, respectively.

Additions to the Plan net position in 2013 included employer contributions of $15.0 million and a net investment gain of $39.0 million resulting in total additions to the Plan net position of $54.0 million. In 2012 included employer contributions of $14.3 million and a net investment gain of $28.2 million resulting in total additions to the Plan net position of $42.5 million.

Deductions from the Plan net position for 2013 were $18.0 million compared to $16.9 million in 2012, an increase of 6.2%. Retirement benefit payments were $17.6 million in 2013 and $16.6 million in 2012 resulting in an increase in benefit payments of $1.0 million or 6.3%.

The Plan's investment objective is to preserve 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, 2013 and 2012, the dates of the latest actuarial valuations, the funded ratio for the Plan was 78.9% and 76.5%, 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 Net Position
2. Statements of Changes in Net Position
3. Notes to Financial Statements
4. Required Supplementary Information by U.S. generally accepted accounting principles

The Statements of Net Position present the Plan assets and liabilities as of December 31, 2013 and 2012.

The Statements of Changes in Net Position show the additions to and deductions from the Plan net position during 2013 and 2012.

The above financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, 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. 50, *Pension Disclosures*, which amends certain provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* 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 Net Position, which was renamed from Statement of Net Assets. 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, 2013 and 2012, and the activities that occurred during the 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 by 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.

Financial Analysis

There are several ways to measure the Plan's financial position. One way is to determine the Plan's net position available to pay benefits, defined as the difference between total assets and total liabilities. Another way is to refer to the funded ratio of the Plan. As of January 1, 2013, the date of the last actuarial valuation, the Plan had a funded ratio of 78.9%, which means that for every dollar of benefits earned to date, based on service and expected final salaries, the Plan had 78.9 cents in assets available for payment. This compares with a funded ratio of 76.5% at the beginning of 2012. The funded ratio used in the public sector, including this plan, is the actuarial value of assets divided by the actuarial accrued liability.

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 Director of Finance 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.

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 quarterly 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.

As of December 31, the Plan's net positions were as follows:

Net Position

(Amounts expressed in thousands)

	Years ended December 31			2013 – 2012		2012 – 2011	
	2013	2012	2011	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Cash and cash equivalents	$ 3,580	1,664	2,373	1,916	115.1%	$ (709)	(29.9)%
Dividends, interest, and other receivables	299	707	596	(408)	(57.7)	111	18.6
Investments, at fair value	286,162	251,864	225,395	34,298	13.6	26,469	11.7
Total assets	290,041	254,235	228,364	35,806	14.1	25,871	11.3
Total liabilities	215	467	145	(252)	(54.0)	322	222.1
Net position	$ 289,826	253,768	228,219	36,058	14.2	$ 25,549	11.2

Changes in Net Position

The Statements of Net Position display the Plan's assets, liabilities and net position at year-end. The Statements of Changes in Net Position provide information on the source of the change in net position during the year. The increase in total assets of $35.8 million or 14.1% in 2013 was the result of a combination of an increase in the fair value of investments and an increase in cash and cash equivalents, offset by a decrease in receivables. Comparatively, in 2012, total assets increased $25.9 million or 11.3%. The increase in 2012 was the result of a combination of an increase in the fair value of investments and a decrease in cash and cash equivalents offset by a slight increase in receivables.

Fiduciary Asset Management Inc. and Denver Investment Advisors reported cash and cash equivalents as of December 31, 2013. 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.

Liabilities of the Plan for 2013 consisted primarily of unpaid but earned investment manager fees and amounts related to unsettled investment trades. In 2012, the majority of the liability was primarily due to unpaid but earned investment manager fees. The change in net position is a function of the change in total assets offset by the change in total liabilities. The Plan recorded an increase in net position of $36.1 million in 2013 and $25.5 million in 2012.

(Continued)

Additions

The funds needed to pay benefits are accumulated from the contributions made 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 contributions for 2013 and 2012 totaled $15.0 million and $14.3 million, respectively. The Board has contributed more than the annual required contribution for seven of the last ten years.

Despite some market volatility in late spring, following the Federal Reserve's outline of a potential tapering of its bond purchases, U.S. equity markets reached new all-time highs during 2013 on the broad economic recovery and strong corporate profit growth. The international developed index markets followed U.S. markets higher while emerging market returns were subdued as inflation and uneven growth impacted equity markets. A rising interest rate environment provided a headwind for most fixed income sectors resulting in lower returns in this sector.

Denver Water's Retirement Plan posted a 15.7% gain compared to the Plan's customized benchmark return of 16.0% for 2013. The Domestic Equity segment was the best absolute performer posting a 33.5% gain, compared to its benchmark, Russell 3000 index return of 33.6% and the S&P 500 index return of 32.4%. Pyramis Small/Mid Cap Equity fund was the Plan's best absolute performer with an annual return of 38.9%. Winslow Large Cap Growth fund was the Plan's best relative performer, outperforming its benchmark, Russell 1000 Growth index by 3.4% age points. The International Equity segment gained 15.5% versus the MSCI All Country World ex-U.S. ND Index return of 15.3%. Fixed Income segment reported 1.5% loss for the year; the worst absolute performance of all asset classes, but surpassed its benchmark Barclays Aggregate Bond index by 49 basis points. The Hedge Fund segment returned 4.7%, significantly below the benchmark, HFR Hedge Fund-of-funds index, which gained 8.8%. The Real Estate managers gained 13.5% in aggregate, underperforming NFI ODCE Gross of Fee index by 44 basis points.

Additions to Net Position

(Amounts expressed in thousands)

	Years ended December 31			2013 – 2012		2012 – 2011	
	2013	**2012**	**2011**	**Increase (decrease)**	**Percentage change**	**Increase (decrease)**	**Percentage change**
Employer contributions	$ 15,000	14,300	15,400	700	4.9%	$ (1,100)	(7.1)%
Investment income	39,023	28,171	(2,095)	10,852	(38.5)	30,266	1,444.7
Total additions, net	$ 54,023	42,471	13,305	11,552	27.2	$ 29,166	219.2

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. Please refer to the Plan document for detailed information regarding the Plan. For the year ended December 31, 2013, annual Plan deductions totaled $18.0 million which compares with $16.9 million in 2012. This represents an increase in deductions in 2013 of 6.2% as compared to an increase in 2012 over 2011 of 8.4%. The increase in total deductions in 2013 was primarily due to an increase in benefit payments. Certain expenses previously classified in prior years as investment expense were reclassified as administrative expense in 2011 and 2012 to better reflect the nature of the underlying transactions.

Deductions to Net Position

(Amounts expressed in thousands)

	Years ended December 31			2013 - 2012		2012 - 2011	
	2013	**2012**	**2011**	**Increase (decrease)**	**Percentage change**	**Increase (decrease)**	**Percentage change**
Retirement benefits	$ 17,644	16,604	15,361	1,040	6.3%	$ 1,243	8.1%
Death benefits	55	100	55	(45)	(45.0)	45	81.8
Refunds of employee contributions	151	94	78	57	60.6	16	20.5
Administrative expenses	116	124	123	(8)	(6.5)	1	0.8
Total deductions	$ 17,966	16,922	15,617	1,044	6.2	$ 1,305	8.4

Requests for Information

This discussion and analysis is designed to provide a general overview of the Plan’s financial status as of December 31, 2013 and 2012, 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 Net Position

December 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	3,579,800	1,663,700
Dividends, interest and other receivables		298,600	706,900
Investments, at fair value:			
U.S. government and agency securities		22,998,200	41,593,300
Municipal/provincial bonds		399,300	796,100
Corporate bonds and debentures		40,610,400	21,301,200
Equities		175,571,400	144,504,100
Real estate funds		25,132,300	23,209,100
Hedge funds		21,450,600	20,460,800
Total investments		286,162,200	251,864,600
Total assets		290,040,600	254,235,200
Liabilities			
Accrued administrative expense		5,000	9,000
Accrued investment expense		193,400	168,700
Securities payable		16,800	289,000
Total liabilities		215,200	466,700
Net position	$	289,825,400	253,768,500

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Statements of Changes in Net Position

Years ended December 31, 2013 and 2012

		2013	2012
Additions:			
Employer contributions	$	15,000,000	14,300,000
Investment income:			
Net appreciation in fair value of investments		35,062,100	23,783,200
Interest		1,964,800	2,671,500
Dividends		2,512,300	2,104,600
Real estate income, net of operating expenses		1,226,000	1,205,500
		40,765,200	29,764,800
Less investment expense		(1,742,200)	(1,593,400)
Net investment income		39,023,000	28,171,400
Total additions		54,023,000	42,471,400
Deductions:			
Retirement benefits		17,644,200	16,604,300
Death benefits		55,000	100,000
Refunds of employee contributions		151,400	93,700
Administrative expenses		115,500	123,800
Total deductions		17,966,100	16,921,800
Net increase		36,056,900	25,549,600
Net position:			
Beginning of year		253,768,500	228,218,900
End of year	$	289,825,400	253,768,500

See accompanying notes to financial statements.

(1) Plan Description

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 owns and operates a water utility. In accordance with Governmental Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity, No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and No. 61, *The Financial Reporting Entity: Omnibus*, the Board is classified as a special-purpose "other stand-alone government." A special-purpose other stand-alone government is defined as a legally separate governmental organization that (a) does not have a separately elected governing body and (b) does not meet the definition of a component unit because it does not have a financial benefit or burden relationship with a primary government. The Board is a "related organization" in the City and County of Denver, Colorado's (the City) financial reporting entity. A related organization is defined as an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board. The Board has no component units as defined in GASB Statements No. 14, 39, and 61. As a result of GASB Statement No. 61, which was early adopted by the City for 2012, the City determined that the Board is no longer a component unit of the City but is a special purpose stand-alone government.

The Plan is exempt from compliance with the Employee Retirement Income Security Act of 1974, as amended, as it is a governmental plan.

The following is a brief general description of the Plan. Participants and all others should refer to the Plan document for a more complete description of the Plan. All regular and discretionary employees of the Board become participants of the Plan upon completion of the required introductory period. As of January 1, 2013, there were 1,646 participants: 82 were deferred vested participants, 511 participants were retired, 1,045 participants were active and 8 were on long term disability.

Participants become fully vested after 5 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 Plan also includes a minimum benefit provision. 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

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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.

(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

The Board acts as trustee of the Plan's assets. 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.

(c) Fair Value of Investments

Plan investments in marketable securities, including mutual funds, U.S. government and agency securities, corporate bonds and debentures, and common stock are reported at net asset value (NAV). Pooled funds, such as commingled funds and hedge funds are stated at fair value based upon the NAV of shares/units held at year-end as provided from fund managers. The NAV is used as a practical expedient to fair value. Cash equivalents are valued at cost, which approximates fair value. Interests in real estate funds that do not have readily ascertainable market value are also stated at NAV, which is based upon the most recent appraised value as reported by the fund manager.

(d) Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service (IRS) dated May 4, 2012 for amendments enacted through September 27, 2011, the Plan is exempt from federal income taxes. Although the Plan has been subsequently amended, management of 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) Contributions and Plan Assets

(a) Employer 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's funding policy provides for periodic Board contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due.

Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The Board made contributions totaling $15.0 million and $14.3 million during 2013 and 2012, respectively, in accordance with actuarial valuations performed as of January 1, 2013 and 2012, 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 $151,400 and $93,700 were made in 2013 and 2012, respectively, for employees who had retired or were terminated during the respective year. As of December 31, 2013 and 2012, total remaining employee contributions including accrued interest was $127,400 and $310,000, respectively. These amounts are not accrued as liabilities in the accompanying financial statements.

(b) Funding Policy

The Board's funding policy is established and may be amended by the Board, which acts as trustee of the Plan. The Plan's current funding policy provides for periodic Board contributions of at least the actuarial required contribution (ARC) sufficient to accumulate the necessary assets to pay benefits when due. These contributions have varied and were not expressed in terms of fixed dollar amounts or as percentages of annual covered payroll. Plan members are not allowed to make contributions. The Board reserves the right to suspend, reduce, or permanently discontinue all contributions at any time, pursuant to the termination provisions of the Plan.

(c) Funded Status and Funding Progress

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective in 2015, eliminates the ARC as a basis for funding and expense reporting. In anticipation of this statement, the Board adopted the Employees' Retirement Plan Funding Policy (the Policy) on August 28, 2013, effective for 2014 and future years. The Policy states the objectives of the Board in funding the Plan and outlines the guidelines to be used by an actuary in determining the contributions needed to achieve those objectives. The primary objective of the Policy is to provide sufficient assets to pay all benefits promised under the Plan and to minimize the volatility of contribution payments from year to year.

As of January 1, 2013, the most recent actuarial valuation date, the Plan was 78.9% funded. The actuarial accrued liability for benefits was $320.6 million, and the actuarial value of assets was $252.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $67.7 million. The covered payroll (annual payroll of active employees covered by the Plan) was $71.9 million, and the ratio of the UAAL to the covered payroll was 94.1%. A schedule of funding progress for the last ten years is included as part of the Required Supplementary Information of this report.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period	30 years
Asset valuation method	3-year smoothing of market value gains or losses
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases	3.6%–8.2%, based on years of service
*Includes inflation at	3.0%
and productivity at	0.5%

(d) Use of Plan Assets

All contributions to the Plan and all net assets of the Plan are available for the payment of benefits and plan expenses. Upon termination of the Plan, the assets (net of the costs of liquidation) would be distributed in the following order of priority: first, an amount to each employee (current and terminated if retaining vested rights) equal to unrefunded employee contributions and accrued interest (taking into account benefits paid before termination of the Plan); second, assets would be distributed to all current employees, retired employees and terminated employees with vested rights (Members) according to the respective actuarial values of their accumulated benefits as of the date of termination of the Plan; and third, all remaining assets would be allocated to Members pro rata according to the respective actuarial values of their accumulated benefits as of the date of termination of the Plan.

(e) Investment Policy

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

The Board has determined that it is prudent to hire professional investment managers to invest the assets on a fully discretionary basis, subject to its investment policy. The Board's investment policy does not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, through the use of a broadly diversified portfolio. The Board has developed long-term asset allocation ranges 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 issues. The Director of Finance is charged with developing a current asset allocation and rebalancing strategy which is designed to reflect, and be consistent with the long-term investment objective and the long term asset allocation ranges adopted by the Board. The investment policy provides that the current asset allocation strategy be reviewed for adjustment periodically, but no less than annually and re-balanced as necessary by the Director of Finance.

As of December 31, the Plan's Asset Allocation Strategy was as follows:

Asset Allocation Strategy

	Allowable range Years ended December 31	
Asset segment	**2013**	**2012**
Equities	35%–70%	35%–70%
Fixed Income	20–50	20–50
Alternative	5–30	5–30

The asset classes currently utilized in the portfolio are domestic and foreign equity securities, domestic and foreign fixed income securities and real estate. Due to its size, the Plan does not invest directly in real estate, but may hold interests in institutional funds or other securities backed by a diversified portfolio of real estate Investment managers that utilize more than one of these asset classes may also be selected. Hedge fund managers may utilize other securities than those directly utilized in the portfolio. Separate accounts or pooled funds may be used in other asset classes based upon the most favorable approach for the fund's circumstances. Each separately managed account manager has agreed to invest in a specific assigned asset class using an agreed-upon strategy, and to be subject to various constraints such as limits on market capitalization, concentration, diversification, duration, credit rating, and use of leverage. Pooled funds have been selected based on the stated objectives and strategies outlined in their respective prospectuses or offering memorandums. Cash equivalents are held in the Collective Government Short-Term Investment Fund (CGS) managed by the custodian, Northern Trust Company. The CGS is invested in short-term marketable securities issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements thereon. The Plan investments and deposits are held separate from the Board's operating investments.

(f) Custody and Management of Assets

During 2013 and 2012, the Northern Trust Company served as asset custodian for all Plan assets. The Plan assets were managed by the following investment managers:

Babson Capital, LLC	Since August 2013
Blackrock Alternative Investors	Since March 2012
Denver Investment Advisors, LLC	Hired prior to 1978
Dimensional Fund Advisors, LP	Since February 2008
Fiduciary Asset Management Company Inc.*	Since January 2012
GAM US Institutional Trading II, L.P.	Since March 2012
Harding Loevner Funds, Inc.	Since August 2011
Heitman Capital Management Corporation	Closed October 2013
JP Morgan Investment Management, Inc.	Since November 2005
Lazard Asset Management, LLC	Terminated August 2013
Northern Trust Investments, N.A.	Since July 2006
Pacific Investment Management Company, LLC	Since July 2006
Prudential Real Estate Investors	Since March 2006
Pyramis Global Advisors Fidelity Asset Management	Since July 2011
Pzena Investment Management, LLC	Terminated February 2012
UBS Trumbull Property Fund, LP	Since May 1998
Vanguard Group, INC.	Since February 2012
Winslow Capital Management, Inc./SEI Trust Company	Since August 2011

* Effective January 1, 2014, Fiduciary Asset Management Inc., a Division of Advisory Research team formally changed its name to Advisory Research Inc.

(g) 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, 2013 and 2012, there were no deposits subject to custodial credit risk.

(h) 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, 2013

Investment type		Fair value	Less than 1 year	1 to 6 years	6 to 10 years	10+ years	Maturity not determined**
Asset-backed securities	$	847,130	—	652,941	45,334	148,855	—
Corporate bonds		25,489,377	538,800	5,192,339	4,745,498	1,181,300	13,831,440
Government agencies		17,783,367	—	—	—	—	17,783,367
Government bonds		4,419,570	—	2,761,703	508,922	1,148,945	—
Government mortgage-backed securities		795,228	—	—	—	795,228	—
Municipal bonds		399,288	—	—	—	399,288	—
Nongovernment-backed C.M.O.'s		133,302	—	—	—	133,302	—
Short-term investments		3,573,090	—	—	—	—	3,573,090
Other fixed income		14,140,576	—	—	—	—	14,140,576
Total	$	67,580,928	538,800	8,606,983	5,299,754	3,806,918	49,328,473

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

(i) 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, 2013, 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.

(j) 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, 2013 are listed below. For securities with split ratings, the lowest rating is shown.

Schedule of Credit Risk as of December 31, 2013

Investment type	Quality rating		Fair value	Percentage of portfolio
Asset-backed securities	AAA	$	45,334	0.1%
	A		148,855	0.2
	NR/NA[2]		652,941	1.0
Corporate bonds	AAA		103,727	0.2
	AA		857,954	1.3
	A		3,853,700	5.7
	BBB		4,491,217	6.6
	BB		1,856,809	2.7
	NR/NA[2]		14,325,970	21.2
Government agencies	NR/NA[3]		17,783,367	26.3
Government bonds	NR/NA[1,2]		4,419,570	6.5
Government mortgage-backed securities	NR/NA[1]		795,228	1.2
Municipal bonds	AAA		399,288	0.6
Nongovernment-backed C.M.O.'s	NR/NA[3]		133,302	0.2
Short-term investments	NR/NA[2]		3,573,090	5.3
Other fixed income	NR/NA[3]		14,140,576	20.9
Total fixed income securities		$	67,580,928	100.0%

[1] These ratings are implicitly or explicitly guaranteed by the U.S. government and currently a rating is not provided by the nationally recognized statistical rating organization. The agencies invested are in FHLMC and FNMA.

[2] 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.

[3] NR/NA indicates the securities were either not able to be categorized into any other ratings or the rating was not available because the assets are held in a mutual fund.

(k) 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 following table provides the Plan's maximum exposure to foreign currency risk in U.S. dollars as of December 31, 2013:

Schedule of assets in foreign currencies

		Dollar allocation invested in foreign securities	Percentage of fund invested in foreign securities
Blackrock Alternative Investors	$	3,306,003	29.3%
Dimensional Fund Advisors, LP		26,691,135	99.7
GAM US Institutional Trading II, L.P.		549,034	5.4
Harding Loevner Funds, Inc.		18,078,501	67.8
Vanguard Group, INC.		5,914	0.039
Total	$	48,630,587	

(l) 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, 2013 and 2012.

(4) Related-Party Transactions

An affiliate of the Plan's custodian, Northern Trust Investments, N.A., is an investment manager for the Plan, which managed $54.9 million and $21.7 million of the Plan's investments at December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, the Plan incurred approximately $15,100 and $11,000, respectively, in management fees with this investment manager.

(5) Plan Amendment

The Plan was amended on June 27, 2012 to adopt certain technical amendments pursuant to the IRS determination letter dated May 4, 2012 and to reflect recent changes to Denver Water Personnel Policies.

Schedule I

EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS

Required Supplementary Information

Schedule of Funding Progress

Year ended December 31, 2013

(Unaudited)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2004	191,817,401	237,094,582	45,277,181	80.9	54,902,822	82.5
1/1/2005	205,448,203	246,022,907	40,574,704	83.5	55,998,351	72.5
1/1/2006	228,774,927	259,565,207	30,790,280	88.1	57,224,980	53.8
1/1/2007	247,159,884	264,513,872	17,353,988	93.4	58,578,510	29.6
1/1/2008	255,768,194	275,245,932	19,477,738	92.9	60,346,577	32.3
1/1/2009	209,770,560	288,664,801	78,894,241	72.7	65,721,304	120.0
1/1/2010	228,083,245	301,256,915	73,173,670	75.7	70,372,085	104.0
1/1/2011	218,757,059	296,269,387	77,512,328	73.8	69,926,961	110.8
1/1/2012	238,384,139	311,443,403	73,059,264	76.5	71,172,362	102.7
1/1/2013	252,919,993	320,604,799	67,684,806	78.9	71,940,163	94.1

See accompanying independent auditors' report.

Schedule II

**EMPLOYEES' RETIREMENT PLAN
OF THE
DENVER BOARD OF WATER COMMISSIONERS**

Required Supplementary Information

Schedule of Employer Contributions

Year ended December 31, 2013

(Unaudited)

Year ended December 31	Annual required contributions	Contribution made	Percentage contributed
2004	8,967,490	9,005,701	100.4
2005	8,738,577	8,738,635	100.0
2006	8,268,755	8,269,119	100.0
2007	6,981,523	7,277,159	104.2
2008	7,233,450	7,590,475	104.9
2009	11,871,976	14,500,000	122.1
2010	12,638,827	12,638,800	100.0
2011	12,414,279	15,400,000	124.1
2012	12,256,238	14,300,000	116.7
2013	11,957,548	15,000,000	125.4

See accompanying independent auditors' report.