DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

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CliftonLarsonAllen LLP
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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 net position and statements of changes in net position of the Denver Water Supplemental Retirement Savings Plan (the Plan), as of and for the year ended December 31, 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.

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, 2015, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Denver Water Supplemental Retirement Savings Plan as of December 31, 2014, were audited by predecessor auditors whose report dated April 30, 2015, expressed an unmodified opinion on those financial statements.

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 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 28, 2016, 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, 2016

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Management's Discussion and Analysis

December 31, 2015 and 2014

(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, 2015 and 2014. This information should be read in conjunction with the financial statements and notes which follow.

Financial Highlights

As of December 31, 2015, $79.6 million was held in trust for the payment of SRSP benefits to the participants as compared to $77.8 million in 2014. This represents an increase in total SRSP net position held in trust of $1.8 million or 2.3%.

Additions to the SRSP net position for 2015 included participant contributions of $4.5 million and the Denver Board of Water Commissioners (Board) matching contributions of $2.0 million. In 2014, participant contributions were $4.2 million and the Board matching contributions were $2.0 million. The net investment income for 2015 was $113,600 compared to $4.6 million investment income in 2014.

Total deductions from the SRSP net position were $6.1 million in 2015 and $3.7 million in 2014. The deductions were comprised of retirement benefit payments of $6.0 million, participant investment advisory fees of $20,400, and administrative expense of $71,100 in 2015. In 2014, the deductions were comprised of retirement benefit payments of $3.6 million, participant investment advisory fees of $19,900, and administrative expense of $67,200. Total deductions in 2015 were 67.1% more than those in 2014. Total deductions in 2014 were 26.5% less than those in 2013.

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 employee's published hourly base pay and salary. As of December 31, 2015, there were 911 employees contributing to the SRSP or 91% of all eligible Denver Water employees. In comparison, as of December 31, 2014, there were 926 employees contributing to the SRSP or 90% of all eligible Denver Water employees. There were 1,000 employees eligible to participate in the SRSP as of December 31, 2015 and 1,029 as of December 31, 2014.

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

The Statements of Net Position present the SRSP assets, liabilities and net position as of December 31, 2015 and 2014. The Statements of Changes in Net Position show the additions to and deductions from SRSP net position during 2015 and 2014.

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. 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 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. The SRSP was amended on May 13, 2015 permitting participants of the Plan to draw loans from their account. For more information on participant loans, please refer to the Plan description of this document. 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 2015, 2014 and 2013.

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

Net Position

(Amounts expressed in thousands)

	Years ended December 31			2015 – 2014		2014 – 2013	
	2015	2014	2013	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Mutual funds	$ 64,287	64,041	57,346	246	0.4%	$ 6,695	11.7%
Commingled fund	12,785	12,618	12,433	167	1.3	185	1.5
Money market fund	715	916	212	(201)	(21.9)	704	332.1
Total investments	77,787	77,575	69,991	212	0.3	7,584	10.8
Receivables:							
Contributions	262	232	285	30	12.9	(53)	(18.6)
*Participant loans	1,543	—	—	1,543	—	—	—
Other receivable	8	3	9	5	166.7	(6)	(66.7)
Total receivables	1,813	235	294	1,578	671.5	(59)	(20.1)
Total assets	79,600	77,810	70,285	1,790	2.3	7,525	10.7
Total liabilities	18	18	16	—	—	2	12.5
Net position	$ 79,582	77,792	70,269	1,790	2.3%	$ 7,523	10.7%

* The SRSP was amended on May 13, 2015 permitting participants of the Plan to draw loans from their account

SRSP Activities

The net position increased by $1.8 million or 2.3% in 2015 and by $7.5 million or 10.7% in 2014. Additional details for the change in net position are discussed below.

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 contribution for 2015 and 2014 was $2.0 million. Net investment income was $113,600 in 2015 as compared to net investment income of $4.6 million in 2014. The decrease of net investment income from 2014 to 2015 was primarily due to a slower pace in market appreciation.

Additions to Net Position

(Amounts expressed in thousands)

	Years ended December 31			2015 – 2014		2014 – 2013	
	2015	2014	2013	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Employer contributions	$ 1,988	1,978	1,835	10	0.5%	$ 143	7.8%
Participant contributions	4,463	4,246	4,153	217	5.1	93	2.2
Participant rollovers	1,298	342	694	956	279.5	(352)	(50.7)
Participant loan interest	23	—	—	23	—	—	—
Miscellaneous income	21	11	15	10	90.9	(4)	(26.7)
Net investment income	114	4,605	10,737	(4,491)	(97.5)	(6,132)	(57.1)
Total additions	$ 7,907	11,182	17,434	(3,275)	(29.3)%	$ (6,252)	(35.9)%

Deductions

Benefits paid to participants during the year represent the majority of the deductions from the SRSP. In 2015 and 2014, benefits paid were $6.0 million and $3.6 million respectively, an increase of 68.6% and a decrease of 27.2% in 2014 over 2013. 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 $71,100 in 2015 and $67,200 in 2014. Administrative fees are calculated based upon a percentage of the fair value of investments. The increase in administrative expenses is due to an overall increase in fair market values of the investments. In 2015 and 2014, participant investment advisory fees were $20,400 and $19,900, respectively. Please refer to note 4 of the financial statements for a detailed explanation of SRSP administrative expenses.

Deductions from Net Position

(amounts expressed in thousands)

	Years ended December 31			2015 – 2014		2014 – 2013	
	2015	2014	2013	Increase (decrease)	Percentage change	Increase	Percentage change
Benefits paid to participants	$ 6,025	3,573	4,908	2,452	68.6%	$ (1,335)	(27.2)%
Administrative expenses	71	67	58	4	6.0	9	15.5
Participant investment advisory fees	20	20	11	—	—	9	81.8
Total deductions	$ 6,116	3,660	4,977	2,456	67.1%	$ (1,317)	(26.5)%

Requests for Information

This discussion and analysis is designed to provide a general overview of the SRSP net position and changes in net position as of December 31, 2015 and 2014 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 Net Position

December 31, 2015 and 2014

Assets		**2015**	**2014**
Investments, at fair value:			
Mutual funds	$	64,287,100	64,040,600
Commingled fund		12,785,000	12,618,400
Money market fund		715,100	915,900
Total investments		77,787,200	77,574,900
Receivables:			
Employer contributions		74,100	73,500
Employee contributions		187,900	158,500
Participant loans		1,542,300	—
Other receivables		8,400	2,600
Total receivables		1,812,700	234,600
Total assets		79,599,900	77,809,500
Liabilities			
Accrued administrative expenses		17,500	17,500
Net position	$	79,582,400	77,792,000

See accompanying notes to financial statements.

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Statements of Changes in Net Position

Years ended December 31, 2015 and 2014

		2015	2014
Additions:			
Investment income:			
Net appreciation(depreciation) in fair value of investments	$	(2,783,400)	1,942,800
Dividends		2,897,000	2,662,600
Net investment income		113,600	4,605,400
Contributions:			
Employer contributions		1,988,400	1,977,800
Participant contributions		4,463,400	4,245,800
Participant rollovers		1,298,000	342,600
Total contributions		7,749,800	6,566,200
Other additions:			
Miscellaneous income		21,000	11,100
Participant loan interest		22,500	—
Total other additions		43,500	11,100
Total additions		7,906,900	11,182,700
Deductions:			
Benefits paid to participants		6,025,000	3,573,000
Administrative expenses		71,100	67,200
Participant investment advisory fees		20,400	19,900
Total deductions		6,116,500	3,660,100
Net increase		1,790,400	7,522,600
Net position:			
Beginning of year		77,792,000	70,269,400
End of year	$	79,582,400	77,792,000

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 Director of Human Resources and to the Director of Finance. 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 Director of Finance and the Director of Human Resources regarding the Retirement Program, including this SRSP. The advisory committee, in and of itself, has no decision-making authority.

The Board has engaged with Great-West Life & Annuity Insurance Company d/b/a Empower Retirement (Empower Retirement) to provide recordkeeping and communication services for the Plan. The Board engages investment 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, 2015, there were 911 active employees out of 1,000 eligible employees participating in the SRSP. This compares with 926 active employees out of 1,029 eligible employees participating in the SRSP as of December 31, 2014. 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. In 2015 and

2014, a discretionary contribution of $27,050 and $26,000, respectively, was made. 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 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 market 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 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 nonforfeitable.

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 nonvested 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

The SRSP was amended on May 13, 2015 permitting participants of the Plan to draw loans from their account. 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

(Continued)

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 seventy-two to one hundred eighty (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 nonforfeitable.

(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. Certain prior year amounts have been re-classified to conform to the current year presentation.

(c) Investment Valuation

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, 2015:

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

		Fair Value Measurements Using		
	12/31/2015	**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				
Funds-multi strategy	19,604	19,604		
Funds-equity	38,462	38,462		
Funds-fixed income	19,343	19,343		
Funds-other	378	378		
Total Mutual Funds	77,787	77,787	-	-
Total investments by fair value level	$ 77,787	$ 77,787	$ -	$ -

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

(d) 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 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.

(e) 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 (Internal Revenue Code) 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, 2015 and 2014 (amounts are expressed in thousands):

		2015	2014
American Beacon Small CP Val Institutional	$	3,006	3,422
American Funds Washington Mutual		7,193	8,050
Baron Growth Institutional		1,772	1,832
Cohen & Streers Institutional Global Realty		378	308
Domini Social Equity		509	820
Dreyfus Cash Management Fund Institutional		715	916
Frost Total Return Bond Institutional		3,403	4,138
Galliard Retirement Income Fund		12,785	12,618
Harbor International Institutional		4,723	4,889
PIMCO High Yield Institutional		1,418	1,391
T. Rowe Price Growth Stock Fund		6,516	5,702
Vanguard Inflation Protected		1,022	1,116
Vanguard Institutional Index Fund		6,793	6,114
Vanguard Mid Cap Index		7,951	7,915
Vanguard Target Retirement 2010 Inv		49	48
Vanguard Target Retirement 2015 Inv		2,515	2,666
Vanguard Target Retirement 2020 Inv		1,110	709
Vanguard Target Retirement 2025 Inv		6,959	6,684
Vanguard Target Retirement 2030 Inv		340	148
Vanguard Target Retirement 2035 Inv		3,516	3,456
Vanguard Target Retirement 2040 Inv		575	506
Vanguard Target Retirement 2045 Inv		3,000	2,852
Vanguard Target Retirement 2050 Inv		56	34
Vanguard Target Retirement 2055 Inv		441	438
Vanguard Target Retirement 2060 Inv		402	293
Vanguard Target Retirement Income Inv		640	510
Total investments	$	77,787	77,575

The SRSP offered as investment options twenty six mutual funds (including twelve target date funds), one money market fund and one commingled fund as of December 31, 2015 and 2014. The net investment income (including gains and losses on investments bought and sold, as well as income received on investments during the year) during 2015 and 2014 was approximately $113,600 and $4.6 million, respectively.

(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. In 2015, the recordkeeper, Empower Retirement, assessed 0.0225% of the value of participant account balances as of the last day of each calendar quarter for recordkeeping and communication services to the SRSP (0.09% annually). The assessed fees for the preceding quarter were deducted directly from each participant's account in January, April, July and October. Participant holdings in 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, Baron Growth Institutional and Cohen & Steers Institutional Global Realty) were excluded from this fee arrangement. Any revenue from revenue sharing was calculated quarterly and deposited in an unallocated SRSP account. Effective in January 2016, the total fee for recordkeeping and communication services was reduced to 0.075% annually, the fee is being calculated and withdrawn from all participant accounts on a monthly basis and any revenue sharing is credited to participants with account balances in a revenue-paying fund which generated the revenue, based on the average daily balance of the participant's investment in such fund(s) for the prior month.

The unallocated account is used to accumulate any recordkeeping and communication fees withdrawn from participant accounts, any fund credits received and any income received on excess balances. Excesses and shortages in the unallocated account are disbursed to the SRSP participants at year-end at the discretion of the Board. In 2015 and 2014, total disbursements to participants at year-end were $8,400 and $2,600, respectively.

The assessed recordkeeping and communication fee for 2015 totaled $71,100. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period was $20,400 and participant wrap fees totaled $56,200. The assessed recordkeeping and communication fee for 2014 totaled $67,200. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period was $11,400 and participant wrap fees totaled $56,600.

(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 2015 and 2014, total participant investment advisory fees paid were $20,400 and $19,900, 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 Risk

Concentration risk is the credit 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 are all diversified mutual funds and one commingled 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 are all diversified mutual funds and one commingled fund and therefore do not have credit risk. The mutual funds and commingled 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	Average effective duration	Average credit quality
Target Date Funds:			
Vanguard Target Retirement 2010 Inv	7.11	5.48	AA
Vanguard Target Retirement 2015 Inv	7.41	5.68	AA
Vanguard Target Retirement 2020 Inv	8.15	6.17	AA
Vanguard Target Retirement 2025 Inv	8.27	6.25	AA
Vanguard Target Retirement 2030 Inv	8.27	6.25	AA
Vanguard Target Retirement 2035 Inv	8.27	6.25	AA
Vanguard Target Retirement 2040 Inv	8.27	6.25	AA
Vanguard Target Retirement 2045 Inv	8.27	6.25	AA
Vanguard Target Retirement 2050 Inv	8.28	6.26	A
Vanguard Target Retirement 2055 Inv	8.26	6.24	AA
Vanguard Target Retirement 2060 Inv	8.27	6.24	AA
Vanguard Target Retirement Income Inv	7.05	5.44	AA
Fixed Income Mutual Funds:			
Frost Total Return Bond Institutional	5.97	—	BB
PIMCO High Yield Institutional	5.94	3.88	NR
Vanguard Inflation Protected	8.50	7.88	AAA

NR means the credit quality was either not rated or not available

(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.

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2015 and 2014

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	$	33	1.0%
American Funds Washington Mutual		352	4.9
Baron Growth Institutional		39	2.2
Cohen & Steers Institutional Global Realty		169	44.8
Domini Social Equity		16	3.1
Frost Total Return Bond Institutional		456	13.4
Harbor International Institutional		4,076	86.3
PIMCO High Yield Institutional		305	21.5
T. Rowe Price Growth Stock Fund		345	5.3
Vanguard Institutional Index Fund		54	0.8
Vanguard Mid Cap Index		119	1.5
Vanguard Target Retirement 2010 Inv		15	31.0
Vanguard Target Retirement 2015 Inv		853	33.9
Vanguard Target Retirement 2020 Inv		411	37.0
Vanguard Target Retirement 2025 Inv		2,617	37.6
Vanguard Target Retirement 2030 Inv		129	37.9
Vanguard Target Retirement 2035 Inv		1,350	38.4
Vanguard Target Retirement 2040 Inv		224	38.9
Vanguard Target Retirement 2045 Inv		1,170	39.0
Vanguard Target Retirement 2050 Inv		22	39.0
Vanguard Target Retirement 2055 Inv		172	38.9
Vanguard Target Retirement 2060 Inv		157	39.0
Vanguard Target Retirement Income Inv		193	30.2
Total	$	13,277	

(7) SRSP Amendments

Effective December 9, 2015, the SRSP was revised to ensure that the SRSP is consistent with Denver Water's practices and with requirements of the Internal Revenue Code and IRS Regulations and Revenue Rulings. The revisions allowed for electronic forms of communication to alternate payees, permits investment of funds in group trusts, clarifies that elective contributions from lump sum payments for accrued vacation, sick, or other leave are not eligible for the employer matching contribution, links the determination concerning the validity of a rollover of funds into the SRSP to specific sections of IRS regulations, provides that revenue sharing is reallocated to the participant account which generated the revenue sharing and is not credited to the unallocated account, adds to the definition of compensation leave cash-out payments made at separation from employment, states that disbursement calculations for participants who contributed after-tax dollars will be made in compliance with Notice 2014-54, permits the distribution of funds to a civil union partner, dependent upon a qualified domestic relations order and a distributable event for the participant, and creates the possibility for employer non-elective contributions, which would permit contributions into the SRSP of the value of certain types of accrued leave balances during employment or upon separation, but only if the Board adopts policies implementing such contributions that satisfy IRS requirements.

On October 9, 2015 with an effective date of January 1, 2016, the SRSP was amended to reflect the change in annual administrative expenses and revenue sharing distributions. The Plan's fees will be paid through an administrative fee which will be debited directly from participants accounts based on each participant's account balance.

In May 13, 2015, the Plan was amended to allow participants to make a direct rollover to the SRSP of assets from a traditional Individual Retirement Account (IRA) and amended to permit participants of the Plan to draw loans from their account with an effective date of June 1, 2015.

The SRSP was amended on August 13, 2014, with the effective date of May 1, 2013, to define “spouse” to include Colorado civil unions wherever federal tax law defines “spouse” to include a person of the same sex.

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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 net position, and the related statements of changes in net position of the Denver Water Supplemental Retirement Savings Plan, as of and for the year ended December 31, 2015, 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, 2016.

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, 2016