# 2015 Annual Report

# Denver Board of Water Commissioners

# Employees' Retirement Program

Employees' Retirement Plan

Denver Water 401(k) Supplemental Retirement Savings Plan

Denver Water 457 Deferred Compensation Plan

Trust Funds of the Denver Board of Water Commissioners

For Fiscal Year Ended December 31, 2015

DENVER WATER

Treasury Department, Denver Board of Water Commissioners
1600 W. 12th Avenue, Denver, CO 80204-3412, Phone: 303-628-6410

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# I. INTRODUCTORY SECTION (UNAUDITED)

DENVER WATER

1600 West 12th Ave
Denver, CO 80204-3412
303.628.6000
denverwater.org

Letter of Transmittal

July 5, 2016

To the Board of Water Commissioners and Participants in the Plans of the Denver Water Retirement Program:

We are pleased to present the Annual Report of the Retirement Program of the Denver Board of Water Commissioners for the fiscal year ended December 31, 2015. The Retirement Program includes three trusteed funds ("Plans") and two additional, unfunded benefits. The trusteed funds are the Employees' Retirement Plan of the Denver Board of Water Commissioners ("Defined Benefit Plan" or "DB Plan"), the Denver Water Supplemental Retirement Savings Plan ("401(k) Plan" or "SRSP") and the Denver Water 457 Deferred Compensation Plan ("457 Plan"). The 401(k) Plan and the 457 Plan are collectively referred to as the "Defined Contribution Plans" or "DC Plans". This report contains audited financial statements only for the trusteed plans. The two unfunded benefits are a Retiree Medical Coverage Program and a Retirement Financial Planning Reimbursement Program. Although the two unfunded benefits are discussed briefly in this letter, financial statements were not prepared for either of the unfunded benefits nor are they discussed in the other sections of this Annual Report.

The report is divided into five sections: an Introductory Section, a Financial Section, an Investment Section, an Actuarial Section, and a Statistical Section.

Management assumes full responsibility for both the accuracy of the data, and the completeness and fairness of the report, including the financial statement presentation, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of management's knowledge and belief, the data is accurate in all material respects and presents fairly the financial position and results of operations of the Plans.

CliftonLarsonAllen LLP audited the three financial statements included in this document, and issued an unqualified ("clean") opinion on each of those financial statements for the year ended December 31, 2015. The independent accountant's report is the first page of each set of statements, all of which are included in the Financial Section of this report. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative overview and analysis of the financial status of each plan to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). Each set of financial statements in the Financial Section includes the MD&A just after the auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Introductory Section contains information about the administrative organization, the Trustee, or the Sponsor of each Plan included in the Retirement Program, the Denver Water Retirement Program Committee and the Consultants and Advisors who provide advice concerning the various elements of the Retirement Program. The Financial Section contains the audited financial statements of the Plans and other required supplementary information. The Investment Section contains a report on investment activity, investment policies, investment results, and various investment schedules. The Actuarial Section contains the actuarial assumptions and methods used in the DB Plan, a summary of DB Plan provisions, the results of the annual actuarial valuation, and other actuarial statistics. The Statistical Section presents other significant data pertaining to the Plans, such as trend information on DB Plan expenses and revenues as well as information about the retired members of the DB Plan.

**Background of the Retirement Program**

The Denver Board of Water Commissioners ("Board") is a five-member board appointed by the Mayor of Denver, Colorado to oversee the operations of the water utility that serves Denver and a large part of the Denver metropolitan area ("Denver Water"). Denver Water was created by the people of Denver by the Charter of the City and County of Denver, Colorado ("City"). Article X, Section 10.1.6 of the City Charter grants to the Board authority to establish and amend benefit provisions for Denver Water employees.

The ***Employees' Retirement Plan of the Denver Board of Water Commissioners*** was established on June 1, 1944 as a defined benefit, single-employer plan covering substantially all regular and discretionary employees of the Board. The Board is the sponsor, administrator and trustee of the assets of the DB Plan. The assets are held in custody by The Northern Trust Company. When it was first adopted, the DB Plan benefit was set at $3 for each year of service with a maximum monthly payment of $100. Employees were required to contribute $3 per month. Part-time employees and those who were hired after the age of 50 were not permitted to participate in the plan. Payments did not begin until the age of 70 and they could have been delayed for up to three years. Over the years, the DB Plan has improved dramatically. In 1971, cost of living adjustments were added. In 1981, employee contributions were eliminated. In 1985, early retirement at age 55 with 15 years of service became available, but at a reduced amount. In 1995, the Rule of 75 was adopted, permitting an unreduced retirement at the age of 55 with 20 years of service. In 1996, part-time employees were allowed to participate in the DB Plan, and in 2001 the 35-year cap on years of service used for computing benefits was eliminated.

Currently, the DB Plan provides normal, special early (rule-of-75), early, and late retirement benefit options with limited annual cost-of-living adjustments, disability benefits and death benefits. Participants become fully vested after five (5) years of employment. DB Plan benefits are integrated with Social Security benefits and are determined by a formula defined in the DB Plan document. A more detailed explanation of benefits is outlined in the Summary of DB Plan Provisions in the Actuarial Section of this report.

As of December 31, 2015, there were 1,720 participants in the DB Plan, including 1,004 active members, 604 retirees and beneficiaries and 100 terminated employees entitled to benefits but not receiving them yet.

The ***Denver Water Supplemental Retirement Savings Plan*** was established pursuant to Section 401(k) of the Internal Revenue Code (IRC), effective January 1, 1999. It is a single-employer defined contribution plan. All regular and discretionary employees are eligible to participate in the

401(k) Plan upon completion of a required introductory period. Denver Water matches 100% of each Participant's contribution up to 3% of the Participant's published base compensation. The SRSP provides for immediate vesting of all contributions. Participation in the SRSP is voluntary. Empower Retirement Service is the administrator of the SRSP. At the end of 2015 there were 937 active participants with balances and 204 terminated participants with balances. 90% of all eligible Denver Water employees participated in the SRSP Plan as of December 31, 2015.

Denver Water established a 457 Deferred Compensation Plan pursuant to Section 457 of the Internal Revenue Code (IRC) in 1987. Assets from that plan were transferred to the ***Denver Water 457 Deferred Compensation Plan***, when it was established on January 3, 2001. All regular or discretionary employees are eligible to participate in the 457 Plan upon completion of a required introductory period. Denver Water does not contribute to the plan and employee participation is voluntary. Empower Retirement Service is the administrator of the SRSP. At the end of 2015, there were 473 active participants with balances and 156 terminated participants with balances. 36% of all eligible Denver Water employees participated in the 457 Plan as of December 31, 2015.

Denver Water offers a ***Retirement Financial Planning Reimbursement Program*** designed to encourage eligible employees to consult with a Certified Financial Planner (CFP®) of their choice about their retirement planning needs. Reimbursement requires certification that the services did not include tax preparation, legal, accounting or brokerage services, as the program is designed to be a tax-free reimbursement for "qualified retirement planning services" as described in Internal Revenue Code section 132(m). Until December 2013, employees who were within three years from retirement, were eligible to receive a lifetime maximum reimbursement of $1,000. Effective December 1, 2013, Denver Water's Retirement Financial Planning Reimbursement Program was expanded to all employees with 5 years of credited service or more and the maximum lifetime benefit was increased to $2,000. 12 employees used the counseling services during 2015 and 7 of those employees have subsequently retired. The total 2015 expenditures on the Retirement Financial Planning Reimbursement Program were $13,282.

Denver Water began offering the Retiree Medical Coverage Program in 1995, which also was the first year employees were able to retire under the Rule of 75.1. The benefit is in the form of partially subsidized health care costs, until the retiree attains age 65. After the retiree becomes Medicare-eligible at age 65, the retiree's coverage ceases. At that point, a spouse may elect to remain in the program until age 65, and other dependents may also elect to remain in the program until the dependent attains the cut-off age for active employee dependents. Full cost premiums are charged to the spouse or the dependent if there is an election to remain in the program after the retiree's coverage ends. The benefit is provided through the Board's self-insured health plan to employees and dependents who meet eligibility requirements of the postemployment healthcare benefit plan. The eligibility requirements include retiring under the Special Early Retirement (Rule of 75) provision of the Board's defined benefit pension plan, taking an immediate distribution of pension benefits, and being covered as an employee or dependent under the employee healthcare plan, excluding COBRA coverage, at the time of retirement. The subsidy is separate from the Board's defined benefit retirement plan and is not paid out of retirement plan funds. In January 2012, the Board discontinued its contribution for this benefit for employees hired on or after January 16, 2012. However, these employees can still access this program at full cost upon meeting the Rule of 75. The Board approved changes in the eligibility requirements for Postemployment Healthcare Benefits in 2013. The minimum eligible age changed from 55 to 60 years while the Rule of 75 remained intact, converting it to a maximum five-year benefit. Certain employees, who had completed 25 years of service as of the end of 2013, retained the right to receive subsidy, available at the time of their retirement, if retired under the Rule of 75, but before reaching age 65For all other employees, the minimum retirement age in order to be eligible for benefits has been raised to age 60. As of the end of 2015, 156 retirees were receiving this benefit.

Effective with the issuance of the December 31, 2007 financial statements, The Governmental Accounting Standards Board ("GASB") Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", requires Denver Water to accrue the cost of this benefit over the period of employment, much as a defined pension benefit is now accrued. Denver Water is in compliance with GASB Statement No. 45 and is accruing the liabilities related to health care coverage for Early Retirees as presented in its financial statements. Denver Water is not required to, and has not, established an irrevocable trust to accumulate assets for payment of future retiree health benefits. Payments of benefits are made on a pay-as-you-go basis in amounts necessary to provide current benefits to recipients. The Board of Water Commissioners will make a determination whether to fund this obligation in the near future. The annual expense for this benefit is calculated based on the annual required contribution as computed by the actuary. The expense recorded in 2015 was $1.8 million; of this amount, $2.0 million was paid as benefits under the plan (approximately 71% of estimated premium equivalent costs). Retirees receiving benefits contributed $798,000, or approximately 29% of the estimated premium equivalent costs. The Net OPEB Obligation for postemployment healthcare benefits as of the end of the year was $10.8 million.

**Major Initiatives in 2015**

- **Board approval of actuarial assumption changes to the DB plan**. Actuarial assumptions play a key role in determining the funded status and contribution requirements for the DB Plan. On May 13, 2015, the Board approved the recommended changes to the following actuarial assumptions:
    - A change in the inflation assumption from 3% to 2.75% and a corresponding change in the investment return assumption from 7.5% to 7.25%;
    - A change in the retirement assumption to reflect increased retirements before the age of 65;
    - A change in the salary assumption based on the new pay for performance system; and
    - A change in the mortality assumption to reflect longer life expectancy.

- **Amendments to the Defined Contribution Plans.** On May 13, 2015, the Board approved amendments to the Supplemental Retirement Savings 401(k) and 457 Plans that would permit the following:
    - Rollovers of certain types of IRA funds and to allow in-service withdrawals of those funds;
    - In-service withdrawals from both employee and Board contributions to the 401 (k) Plan upon reaching age 59 ½ or hardship circumstances;
    - In-service withdrawals from inactive 457 Plan accounts with balances of less than $5000, or from any 457 Plan account upon reaching 70 ½;
    - Borrowing money from the 457 plan and from both employee and employer contributions to the 401 (k) Plan.
- **DC Plan fee equalization approved by the Board**. On July 8, 2015, the Board approved amendments to the 401(k) and 457 Plans that equalized fees for participants. Before the changes, revenue sharing generated by certain funds in the menu was used to pay the Plans' administrative fees. In order to make payment of administrative fees more equitable, "wrap

fees" were added to those funds which did not generate revenue sharing. As a result, of these changes, the wrap fees were extended to all funds and all revenue sharing is now being credited back to the participant accounts where it was generated on a monthly basis. The Plan's fees are now paid through an administrative fee which is debited directly from participant accounts based on each participant's account balance. These changes took effect on January 1, 2016.

- **RFP for DC Plan administrator completed**. As a result of normal contract expiration, in 2015 Denver Water issued a Request for Proposal (RFP) for the DC Plan administrator. Eight (8) proposers submitted responses to the RFP. The responses were evaluated and top 4 proposers were interviewed by the committee selected from RPC members. The Director of Human Resources selected and recommended to the Board the approval of the contract with the incumbent, Empower effective December 2015. Following the contract negotiations, the plan annual administration fee were reduced from 0.09% to 0.075%.

- **Hiring of a new DB Plan Investment Consultant.** As a result of normal contract expiration, in October 2015 Denver Water issued a Request for Proposal (RFP) for Investment Consulting Services for the Employees' Retirement Plan. The RFP was sent to forty-two (21) financial institutions through the Rocky Mountain E-Purchasing System. Eight (8) proposers submitted responses to the RFP. The responses were evaluated and top 4 proposers were interviewed by the committee selected from RPC members. The Director of Finance selected and recommended to the Board the approval of the contract with Callan Associates Inc. who replaced Watershed Investment Consultants Inc. effective December 16, 2015.

- **Manager Changes in the DB Plan.** The Director of Finance, with the assistance of the Investment Consultant for the DB Plan approved the following changes in the investment manager lineup for the DB Plan:

  - Hedge Fund Manager GAM was terminated in September due to manager underperformance and significant asset outflows.

  - In December, Hedge Fund manager Visium was hired to replace GAM. The fund was selected as a compliment to existing Hedge Fund manager BlackRock.

**Investments**

As discussed in more detail in both the Financial Section and the Investment Section, assets of all Plans are held in trust for the exclusive benefit of participants and beneficiaries. Investment activities have been delegated to professional investment managers. The investment managers engaged by the Defined Benefit Plan as of December 31, 2015 are listed on page III-84 of the report; funds included in the Defined Contribution Plans are listed on page III-100 of the report. Activities of the professional managers are reviewed and evaluated quarterly by the investment consultant for each plan, the Retirement Program Committee, and Denver Water's Finance staff.

The investments in the Defined Benefit Plan returned 1.08% (gross of fees) during 2015, compared to the target benchmark return of 1.10% and the actuarial assumed rate of return of 7.25%. The annualized rate of return on assets of the Defined Benefit Plan was 7.68% over the last three years and 6.96% over the last five years. Returns on Defined Contribution Plans vary depending on the choices made by each participant.

A summary of the current investment objectives and guidelines for each fund, additional information concerning allocation of the DB Plan's assets, and more detailed information about investment performance is included in the Investment Section of this report.

**Funding**

As of January 1, 2016, the Funded Ratio of the DB Plan was 84.9%, compared to 82.8% the year before. Over the past ten years the Funded Ratio ranged from a low of 72.7% (01/01/09) to a high of 93.4% (01/01/07). More information about funding of the DB Plan, including a multi-year Schedule of Funding Progress, is provided in the Actuarial Section of this report.

Funding of the Defined Contribution Plans is primarily from employee contributions. Denver Water currently matches 100% of employee contributions to the 401(k) plan up to 3% of published base pay.

**Professional Services**

Professional consultants and advisors are engaged as necessary to perform professional services that are essential to the effective and efficient operation of the Plan. Opinions from the Independent Auditor for the Financial Statements of each of the Plans, an opinion from the actuary for the DB Plan, and a report from the Investment Performance Measurement Consultant to the DB Plan are included in this report. The consultants engaged to assist the Manager, various staff members, and the Board are listed on pages I-16 – I-21.

**Acknowledgements**

The compilation of this report reflects the combined effort of Denver Water's staff. It is intended to provide complete and reliable information about the Defined Benefit Plan and the Defined Contribution Plans. It will be made available to all members of the Denver Water Retirement Program.

We would like to express our appreciation to the Denver Water staff, specifically the members of the Retirement Program Committee and their support staff, the advisors, and to the many other people who have worked so diligently in the preparation of this report and toward the successful operation of the Denver Water Retirement Program.

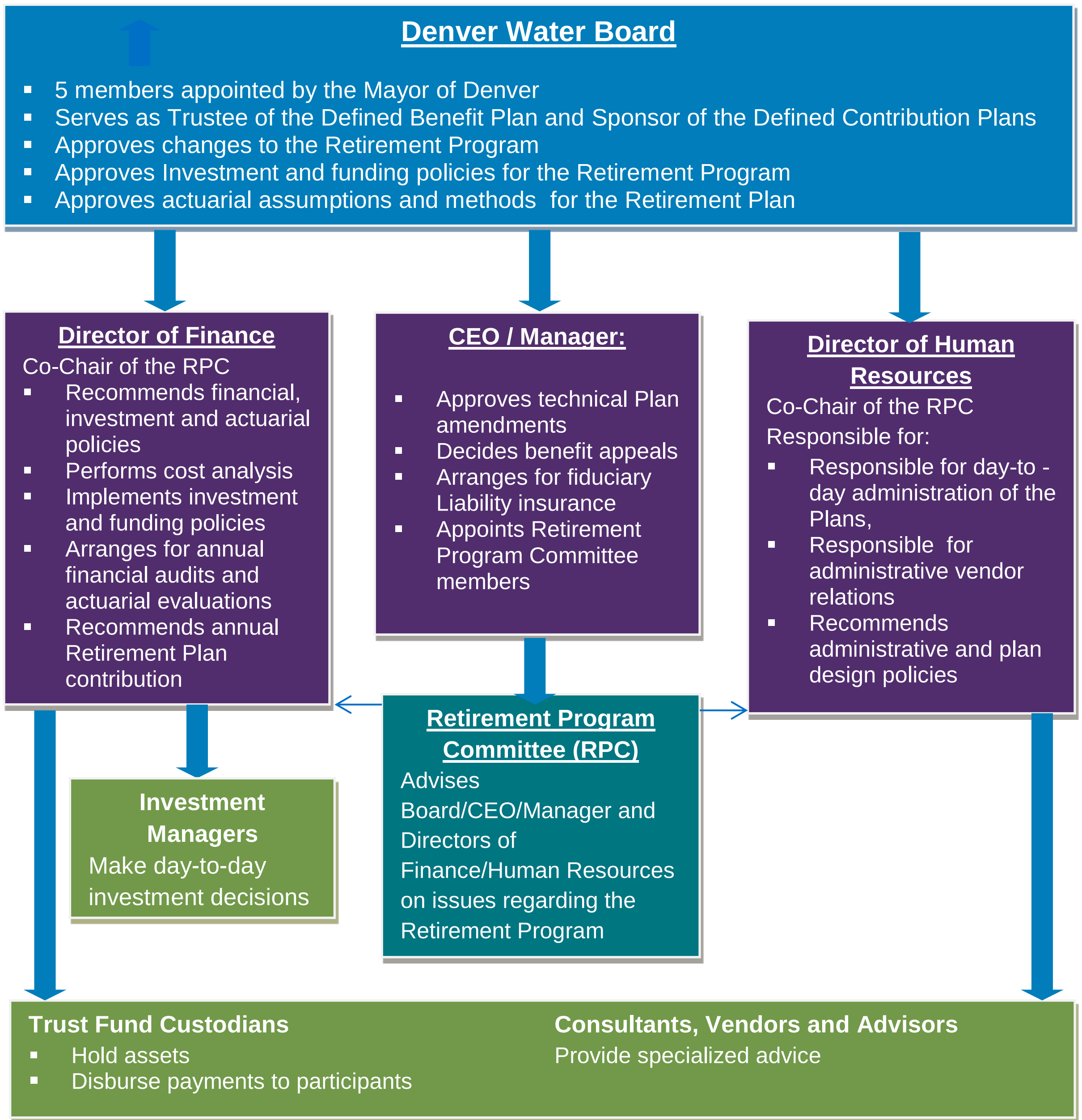
Respectfully submitted,

James S. Lochhead, CEO/Manager

Gail Cagle
Director of Human Resources, RPC Co-Chair

Angela Bricmont
Director of Finance, RPC Co-Chair

# A. ORGANIZATIONAL CHART OF THE EMPLOYEES' RETIREMENT PROGRAM




More information about investment professionals who provide services to the Retirement Program and their fees can be found on the following pages: I-21, III-91, III-100, III-108 and III-113.

## B. DENVER BOARD OF WATER COMMISSIONERS

*The Denver Board of Water Commissioners is the Sponsor of the Retirement Program and acts as Trustee of the Defined Benefit Plan.*

BOARD OF WATER COMMISSIONERS - As of December 31, 2015

**Top from left, Greg Austin, John R. Lucero,**
**Bottom from left, Thomas A. Gougeon, Paula Herzmark, Penfield W. Tate III**

| | |
|---|---|
| Penfield W. Tate III, President<br>Attorney: Greenberg Traurig | *Commissioner since October 2005;*<br>*Term expires July 2017.* |
| John R. Lucero, First Vice President<br>Deputy Director, Mayor's Office of Economic Development | *Commissioner since July 2007;*<br>*Term expires July 2021* |
| Thomas A. Gougeon<br>President, Gates Family Foundation | *Commissioner since August 2004;*<br>*Term expires July 2017.* |
| Paula Herzmark<br>Executive Director, Denver Health Foundation | *Commissioner since April 2009;*<br>*Term expires July 2019.* |
| H. Gregory Austin<br>Former Partner, Holland & Hart LLP. | *Commissioner since July 2009;*<br>*Term expires July 2019* |

LAST 20 COMMISSIONERS

| | |
|---|---|
| Charles G. Jordan | Sep 26, 1983 to Jun 28, 1985 |
| D. Dale Shaffer | Aug 9, 1978 to Jul 8, 1985 |
| John A. Yelenick | Jul 14, 1969 to Aug 25, 1987 |
| Marguerite S. Pugsley | May 10, 1978 to Aug 25, 1987 |
| Elizabeth A. Hennessey | Nov 4, 1985 to Jul 28, 1989 |
| Malcolm M. Murray | Aug 25, 1987 to Jul 12, 1993 |
| Donald L. Kortz | Aug 25, 1987 to Jul 12, 1993 |
| Monte Pascoe | Sep 26, 1983 to Jul 10, 1995 |
| Romaine Pacheco | Jul 31, 1989 to Jul 10, 1995 |
| Hubert A. Farbes, Jr. | Jul 8, 1985 to Jul 14, 1997 |
| Ronald L. Lehr | Jul 21, 1993 to Apr 20, 1999 |
| Joe Shoemaker | Jul 10 , 1995 to Jul 9, 2001 |
| Andrew D. Wallach | Jul 18, 2001 to Aug 5, 2003 |
| Daniel E. Muse | Feb 10, 2000 to Nov 13, 2003 |
| Richard A. Kirk | Jul 21, 1993 to October 18, 2005 |
| William R. Roberts | Jul 10, 1997 to October 18, 2005 |
| Harris D. Sherman | Dec 6, 2005 to Feb 16, 2007 |
| Denise S. Maes | Jul 10, 1995 to Jul 10, 2007 |
| Susan D. Daggett | Nov 6, 2007 to Jan 22, 2009 |
| George B. Beardsley | Feb 2, 2004 to Mar 13, 2009 |

## C. KEY MEMBERS OF THE RETIREMENT PROGRAM COMMITTEE

**Retirement Program Committee ("RPC")** – Responsible for advising the Manager with respect to retirement issues; The Retirement Program Committee ("RPC") was created by resolution of the Board passed in September 2005. The terms of the 2005 resolution were revised in 2013. Under the resolution, the Board retained full authority to approve substantive changes to the Retirement Program, investment and funding policies, and actuarial methods and assumptions. The 2013 resolution clarifies that the Retirement Program Committee will make recommendations to the Directors, the CEO/Manager or the Board, as appropriate, but will not have decision-making authority. The RPC is co-chaired by the Director of Human Resources and the Director of Finance and includes key representatives from Treasury, HR Benefits and the Legal Division. The CEO/manager issued an Executive Guideline that further describes the RPC's purpose, responsibilities, duties and procedures in November 2013. The primary purpose of the RPC, as outlined in the Executive Guideline, is to provide advice and recommendation to the co-chairs regarding proposed changes to the Retirement program, communication strategies, contractual obligations, legal and tax compliance and education and outreach.

*James S. Lochhead* - CEO / Manager since June 2010**.** Responsible for approving amendments to the Plans necessary to maintain tax qualified status, deciding benefit appeals, and arranging for fiduciary liability insurance for Plan fiduciaries . The CEO/Manager reports to the Board at least annually regarding the status of the Program and appoints members of the Retirement Program Committee.

*Gail Cagle* - Director of Human Resources since January 2014; co-chair of the RPC. Gail replaced Carla Elam-Floyd who retired December 31, 2013. The Director of Human Resources administers the Plans with regard to participants, including data maintenance, disclosures, calculations, payment of benefits and other similar duties. She is also responsible for communicating with participants and beneficiaries, recommending to CEO/Manager any changes to the Plans necessary to retain their tax qualified status evaluating and recommending changes in Program design and providing information related to the administration of the Program to the Board and the CEO/manager no less frequently than semi-annually.

*Angela C. Bricmont* - Director of Finance since July 2010, co-chair of the RPC. The Director of Finance recommends investment policy, actuarial methods and assumptions and annual contributions to the DB Plan. The Director of Finance also analyzes and advises the Board and the CEO/Manager the total cost impact of Program changes recommended by the Director of Finance, implements investment and funding policies approved by the Board, allocates cash flow for the payment of benefits and other obligations, rebalances Plan assets, selects and monitors investment managers, auditors, actuaries and other financial experts. The Director of Finance is responsible for reporting the financial activities and status of the Program to the Board and the CEO/Manager at least semi-annually.

*Liz Martinez* - Manager of Total Rewards (Compensation and Benefits programs) since November 2015. Responsible for the design, development, implementation and administration of total rewards programs. Designs programs to attract, motivate and retrain a high performing, diverse workforce.

*Sandra Miller* - Manager of Healthcare and Benefit Administration since September 2008; member RPC; The Director of Human Resources has delegated to Ms. Miller the responsibility for managing employee benefits.

*Deb B. Engleman* - Senior Benefits Administrator since June 1993; member RPC. The Director of Human Resources has assigned to Ms. Engleman responsibility for daily monitoring, administration and evaluation of various employee benefit policies and programs and recommending changes to these programs. Ms. Engleman also administers external benefit-related contracts.

*Gary L. Brockett* - Human Resources Analyst; member of the RPC since 2005. Under the direction of the Director of Human Resources, Mr. Brockett analyzes financial and workforce trends that impact the Retirement Plan.

*Usha Sharma* – Treasurer since April 2009. The Director of Finance has delegated various responsibilities pertaining to the Plans, including the preparation of this Annual Financial Report, to the Treasurer and her subordinates.

Kris Bates - Attorney; Ms. Bates has been employed by Denver Water since 2004; member RPC. Ms. Bates works with outside subject matter legal experts to advise the Director of Finance and the Director of Human Resources.

*Aneta M. Rettig* – Finance Manager with Denver Water since March 2006; member RPC; supports the Treasurer in fulfilling her responsibilities pertaining to the Plans.

*Jeff Bogner* - Treasury Analyst since August 2012; member RPC; supports the Treasurer in fulfilling her responsibilities pertaining to the Plans.

*Brian Haggerty* - Sr. Compensation Analyst. Mr. Haggerty has been employed by Denver Water since 2007. Mr. Haggerty is the point of contact for employees and retirees in matters regarding the DB plan and their participation.

# D. CONSULTANTS AND ADVISORS

### Consulting Services

| | | |
|---|---|---|
| **Actuary** | Milliman, Inc. (until 7/1/2015) | 1099 18th Street, Suite 3100<br>Denver, Colorado 80202 |
| | Gabriel Roeder Smith & Company | 7900 East Union Avenue, Suite 650<br>Denver, Colorado 80237 |
| **Benefit Consultant** | Gallagher Benefit Services, Inc. | 6399 South Fiddler's Green Circle<br>Suite 200<br>Greenwood Village, CO 80111 |
| **Legal Counsel** | Ms. Cindy S. Birley<br>Davis Graham & Stubbs LLP | 1550 17th Street, Suite 500<br>Denver, CO 80202 |
| **Performance Evaluation** | The Northern Trust Company | 50 S. LaSalle Street,<br>Chicago, IL 60675 |
| **Investment Advisor (DB Plan)** | Mrs. Janet Becker-Wold<br>Callan Associates Inc. | 1900 16th Street Suite 1175<br>Denver, CO 80202 |
| **Investment Advisor (DC Plans)** | Mr. Sean Waters<br>Cook Street Consulting | 5299 DTC Blvd., Suite 1150,<br>Greenwood Village, CO 80111 |

### Asset Custodian

| | |
|---|---|
| The Northern Trust Company (DB Plan) | 50 S. LaSalle Street,<br>Chicago, IL 60675 |
| Empower Retirement (formerly Great-West Retirement Services ) (DC Plans) | 8515 East Orchard Road, 10T2<br>Greenwood Village, CO 80111 |

### Independent Auditor

| | |
|---|---|
| CliftonLarsonAllen | 370 Interlocken Boulevard, Suite 500<br>Broomfield, Colorado 80021 |

Information regarding investment managers who provide services to the Plans and information regarding fees paid to the Program's professional service providers and investment managers can be found in the *Investment Section*.

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# II. Financial Section

# A. EMPLOYEES' RETIREMENT PLAN

## 1. Independent Auditor's Report

CliftonLarsonAllen LLP
CLAconnect.com

### INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the accompanying statements of fiduciary net position and statements of changes in fiduciary net position of the Employees' Retirement Plan of the Denver Board of Water Commissioners (the Plan), as of and for the 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.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2015, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

The financial statements of the Plan as of December 31, 2014, were audited by other auditors whose report dated April 30, 2015, expressed an unmodified opinion on those statements.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and Schedules of Changes in Net Pension Liability and Related Ratios, Employer Allocations and Investment Returns on pages 25-27 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 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

## Management's Discussion and Analysis

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, 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 and 2014, $298.6 million and $302.3 million, respectively, were held in trust for the payment of Plan benefits, and to meet the Plan's future obligations to its participants..

For 2015, the net position restricted for pension of the Plan decreased by $3.8 million or 1.3%. This compares with a $12.5 million increase or 4.3% in 2014. The decrease in the Plan's net position restricted for pension in 2015 and the increase in the Plan's total net position restricted for pension in 2014 are primarily due to changes in the market value of the Plan's investments. Investments decreased $3.9 million or 1.3% in 2015 and increased $12.9 million or 4.5% in 2014. Plan returns for 2015 and 2014 were 1.1% (0.8% net of fees) and 6.7% (6.4% net of fees), respectively.

Additions to the Plan's net position restricted for pension in 2015 included employer contributions of $14.5 million and a net investment gain of $2.5 million resulting in total additions to the Plan's net position restricted for pension of $17.0 million. Additions to the Plan's net position restricted for pension in 2014 included employer contributions of $14.5 million and a net investment gain of $18.5 million resulting in total additions to the Plan's net position restricted for pension of $33.0 million..

Deductions from the Plan's net position restricted for pension for 2015 were $20.7 million compared to $20.5 million in 2014, an increase of 1.1%. Retirement benefit payments were $20.6 million in 2015 and $20.2 million in 2014 resulting in an increase in benefit payments of $366,300 or 1.8%.

The Plan's investment objective is to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial earnings rate and to prudently manage the inherent investment risks that are related to the achievement of this goal. As of January 1, 2015 and 2014, the dates of the latest actuarial valuations, the funded ratio for the Plan was 82.8% and 80.8%, respectively.

### Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which follow. The statements include the following:

1. Statements of 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 Fiduciary Net Position* include information about Plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position restricted for pension, as applicable as of December 31, 2015 and 2014.

*The Statements of Changes in Fiduciary Net Position* show the additions to, deductions from, and net increase (or decrease) in the Plan's net position restricted for pension during 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. 40, *Deposit and investment Risk Disclosures* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires the reporting of deferred inflows and deferred outflows of resources in separate sections of the Statement of Fiduciary Net Position, which was renamed from Statement of Net Position. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The Plan's financial statements comply with all material requirements of these pronouncements.

These financial statements provide a snapshot of the Plan's assets and liabilities as of December 31, 2015 and 2014, 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.

## Changes in Net Position Restricted for Pension

The Statements of Fiduciary Net Position display Plan assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the net position restricted for pension, as applicable at year-end. The Statements of Changes in Fiduciary Net Position provide information on the source of the change in net position restricted for pension during the year. The decrease in total assets of $4.3 million or 1.4% in 2015 was the result of a decrease in the fair value of investments. Comparatively, in 2014, total assets increased $13.1 million or 4.5%. The increase in 2014 was the result of a combination of an increase in the fair value of investments, an increase in cash and cash equivalents as well as an increase in receivables.

Winslow Capital Management, Inc., Advisory Research, Inc. and Denver Investment Advisors LLC reported cash and cash equivalents as of December 31, 2015. Cash and cash equivalents are also held in the custodial cash account used for disbursement of benefit payments and administrative expenses. Many of the other managers have cash holdings from time to time but do not specifically identify them in their reporting.

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

**Net Position**

(amounts expressed in thousands)

| | Years ended December 31, | | | 2015-2014 | | 2014-2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Increase (Decrease) | % Change | Increase (Decrease) | % Change |
| Cash and equivalents | $ 3,272 | $ 3,716 | $ 3,580 | $ (444) | (11.9) % | $ 136 | 3.8 % |
| Dividends, interest & other receivables | 425 | 364 | 299 | 61 | 16.8 % | 65 | 21.7 % |
| Investments, at fair value | 295,137 | 299,073 | 286,162 | (3,936) | (1.3) % | 12,911 | 4.5 % |
| Total assets | 298,834 | 303,153 | 290,041 | (4,319) | (1.4) % | 13,112 | 4.5 % |
| Total liabilities | 260 | 814 | 215 | (554) | (68.1) % | 599 | 278.6 % |
| Net Position restricted for pension | $ 298,574 | $ 302,339 | $ 289,826 | $ (3,765) | (1.2) % | $ 12,513 | 4.3 % |

Liabilities of the Plan for 2015 and 2014 consisted primarily of unpaid, but earned investment manager fees and amounts related to unsettled investment trades. In 2015, liabilities consisted primarily of unsettled trades of $78,800 and outstanding investment expenses of $180,200. In comparison, in 2014, liabilities consisted primarily of unsettled trades of $598,600 and outstanding investment expenses of $214,200. The change in the net position restricted for pension is a function of the change in total assets offset by the change in total liabilities. The Plan recorded a decrease in net position restricted for pension of $3.8 million in 2015 and an increase of $12.5 million in 2014.

### *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 2015 and 2014 totaled $14.5 million. The Board has contributed more than the actuarially determined contribution for 10 of the last 11 years.

**Additions to Net Position**

(amounts expressed in thousands)

| | Years ended December 31, | | | 2015-2014 | | 2014-2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Increase (Decrease) | % Change | Increase (Decrease) | % Change |
| Employer contributions | $ 14,500 | $ 14,500 | $ 15,000 | -- | -- % | (500) | (3.3) % |
| Investment income | 2,473 | 18,523 | 39,023 | (16,050) | (86.6) % | (20,500) | (52.5) % |
| Total additions, net | $ 16,973 | $ 33,023 | $ 54,023 | $ (16,050) | (48.6) % | $ (21,000) | (38.9) % |

### *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, 2015, annual Plan deductions totaled $20.7 million which compares with $20.5 million in 2014. This represents an increase in deductions in 2015 of 1.1% as compared to an increase in 2014 over 2013 of 14.2%. The increase in total deductions in 2015 was primarily due to an increase in benefit payments.

**Deductions to Net Position**

(amounts expressed in thousands)

| | Years ended December 31, | | | 2015-2014 | | 2014-2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Increase (Decrease) | % Change | Increase (Decrease) | % Change |
| Retirement benefits | $ 20,581 | $ 20,214 | $ 17,644 | $ 367 | 1.8% | $ 2,570 | 14.6 % |
| Death benefits | 85 | 85 | 55 | -- | --% | 30 | 54.5 % |
| Refunds of contributions | 28 | 66 | 151 | (38) | (57.6)% | (85) | (56.3) % |
| Administrative expenses | 44 | 144 | 116 | (100) | (69.4)% | 28 | 24.1 % |
| Total deductions | $ 20,738 | $ 20,509 | $ 17,966 | $ 229 | 1.1% | $ 2,543 | 14.2 % |

## Investment Activities

Year 2015 was marked by elevated market volatility as concerns of slowing growth in China, as well as globally, persisted. The U.S. Federal Reserve announced in December the first rate increase since 2006 in response to continued job growth and a solid housing market. As a result of the rate hike, interest rates across U.S. Fixed income sector increased in the fourth quarter, leading to a decline in fixed income prices. Despite the year-end losses, domestic fixed income reported a slightly positive return for the year. Oil prices were the most talked about area of the market in the second part of 2015. Nearly six months ago Brent oil saw prices over $100 per barrel and since then have fallen to less than $50 per barrel. The setback is attributed to oversupply, strength of the U.S. dollar, and worries of a global growth slowdown. Broad-based domestic equity indexes such as the S&P 500 and Russell 3000 were slightly positive for the year, while international benchmarks reported negative returns during 2015, with emerging market equities significantly underperforming their developed-market peers. China's news led headlines for most of the year followed with the political and fiscal woes in Brazil and other topics correlated to geopolitical events in the Middle East. In Europe, the Greek election has fashioned doubt for the European Union and geopolitical risk has been amplified due to the Russian and Ukrainian conflicts that continue to linger.

Denver Water's Retirement Plan posted a 1.1% gain (0.8% net of fee return) in line with the Plan's customized benchmark return of 1.1% for 2015. Once again, Real Estate was the best absolute performer posting a 15.5% gain, compared to its benchmark, NCREIF ODCE index return of 15.0%. Hedge Funds were the best relative performer during the year, posting 0.8% return and beating the benchmark, HFR Fund of Funds Composite by 1 percentage point. Equities segment reported a loss of 2.6%, driven largely by negative international equity returns and losses in the domestic energy-linked equities. This compares to MSCI ACWI Net index return of - 2.4%. The fixed Income segment reported 0.5% return for the year versus the Barclays Aggregate Bond index return of 0.6%.

## Requests for Information

This discussion and analysis is designed to provide a general overview of the Plan's financial status as of December 31, 2015 and 2014, 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

## Basic Financial Statements

### a) Statements of Fiduciary Net Position

| Assets | | Years Ended December 31, 2015 | 2014 |
|---|---|---|---|
| Cash and cash equivalents | $ | 3,272,400 | 3,716,400 |
| Dividends, interest and other receivables | | 424,900 | 364,300 |
| Investments, at fair value: | | | |
| Equities: | | | |
| Common stock | | 9,919,700 | 15,754,300 |
| Common stock- funds | | 143,157,700 | 151,126,400 |
| Preferred stock | | 98,300 | 138,100 |
| Other equities | | 8,731,900 | 9,551,600 |
| Total equities | | 161,907,600 | 176,570,400 |
| Fixed income: | | | |
| Government bonds | | 4,363,000 | 9,373,500 |
| Government bonds-funds | | 14,606,700 | 18,617,300 |
| Municipal/provincial bonds | | 997,900 | 1,772,200 |
| Corporate bonds | | 9,844,400 | 16,657,300 |
| Other fixed income | | 14,606,500 | 15,091,600 |
| Total fixed income | | 44,418,500 | 61,511,900 |
| Real estate | | 57,665,600 | 30,858,800 |
| Hedge funds | | 30,231,600 | 30,131,600 |
| Private equity | | 914,000 | — |
| Total investments | | 295,137,300 | 299,072,700 |
| Total assets | | 298,834,600 | 303,153,400 |
| **Liabilities:** | | | |
| Accrued administrative expense | | 1,000 | 1,600 |
| Accrued investment expense | | 180,200 | 214,200 |
| Securities payable | | 78,800 | 598,600 |
| Total liabilities | | 260,000 | 814,400 |
| Net position restricted for pension | $ | 298,574,600 | 302,339,000 |

See accompanying notes to financial statements.

## b) Statements of Changes in Fiduciary Net Position

| | Years Ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Additions:** | | |
| Employer contributions | $ 14,500,000 | 14,500,000 |
| Investment income: | | |
| Net depreciation in fair value of investments | (976,100) | 15,102,800 |
| Interest | 1,969,600 | 2,422,100 |
| Dividends | 2,025,700 | 2,199,500 |
| Real estate income, net of operating expenses | 1,722,900 | 1,283,700 |
| | 4,742,100 | 21,008,100 |
| Less investment expense | (2,268,800) | (2,484,900) |
| Net investment income | 2,473,300 | 18,523,200 |
| Total additions | 16,973,300 | 33,023,200 |
| **Deductions:** | | |
| Retirement benefits | 20,580,500 | 20,214,200 |
| Death benefits | 85,000 | 85,000 |
| Refunds of employee contributions | 28,000 | 66,400 |
| Administrative expenses | 44,200 | 144,000 |
| Total deductions | 20,737,700 | 20,509,600 |
| **Net increase (decrease) in fiduciary net position** | (3,764,400) | 12,513,600 |
| **Net position restricted for pension:** | | |
| Beginning of year | 302,339,000 | 289,825,400 |
| End of year | $ 298,574,600 | 302,339,000 |

See accompanying notes to financial statements.

# Notes to the Financial Statements

## Note 1 - Plan Description

### *a. Plan Administration*

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

The Board is made up of five members appointed by the Mayor of the City and County of Denver for staggered six-year terms. The Board is the sponsor, administrator and trustee of the assets of the Plan. The Board has delegated certain responsibilities regarding the Plan administration through a delegation resolution to the 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. The advisory committee, in and of itself, has no decision-making authority. The Plan is exempt from compliance with the Employee Retirement Income Security Act of 1974, as amended, as it is a governmental plan.

Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Board develops long-term asset allocation ranges, while the 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.

### *b. Plan Membership*

All regular and discretionary employees of the Board become participants of the Plan upon completion of the required introductory period. As of January 1, 2015, there were 1,711 Plan participants: 90 were deferred vested participants, 582 participants were retired, 1,034 participants were active and 5 were on long term disability.

### *c. Benefits Provided*

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

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

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

### *d. Contributions*

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

The Board made contributions totaling $14.5 million during 2015 and 2014, in accordance with actuarial valuations performed as of January 1, 2015 and 2014, 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 $28,000 and $66,400 were made in 2015 and 2014, respectively, for employees who had retired or were terminated during the respective year. As of December 31, 2015 and 2014, total remaining employee contributions including accrued interest was $65,400 and $84,700, respectively. These amounts are not accrued as liabilities in the accompanying financial statements.

## Note 2 - Summary of Significant Accounting Policies

### *a. Basis of Accounting*

The Plan's financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles that apply to governmental accounting for defined benefit plans. Employer contributions are recognized when made, because there are no required due dates for contributions. Other additions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document.

Plan expenses, other than benefits and refunds are recognized on the accrual basis in accordance with generally accepted accounting principles.

### *b. Plan Expenses*

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

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

### *c. Fair Value of Investments*

The Governmental Accounting Standards Board (GASB) implemented statement 72, which addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Plan has adopted GASB statement 72 and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of 12/31/2015.

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

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | | **Quoted Prices in Active Markets for Identical Assets** | **Significant Other Observable Inputs** | **Significant Unobservable Inputs** |
| | **12/31/2015** | **(Level 1)** | **(Level 2)** | **(Level 3)** |
| **Investments By Fair Value Level** | | | | |
| Debt Securities | | | | |
| Government Bonds | $ 4,363 | - | $ 4,363 | - |
| Municipal/Provincial bonds | 998 | - | 998 | - |
| Corporate bonds | 9,844 | - | 9,844 | - |
| Fixed income funds | 14,607 | 14,607 | - | - |
| Total debt securities | 29,812 | 14,607 | 15,205 | - |
| Equity Securities | | | | |
| Common stock | 24,403 | 24,403 | - | - |
| Preferred stock | 98 | 98 | - | - |
| Common stock funds | 63,654 | 63,654 | - | - |
| Total equity securities | 88,155 | 88,155 | - | - |
| Total investments by fair value level | $ 117,967 | $ 102,762 | $ 15,205 | - |
| **Investments measured at the net asset Value (NAV)** | | | | |
| Common stock funds | 73,752 | | | |
| Other fixed income funds | 14,606 | | | |
| Real estate | 57,666 | | | |
| Hedge funds | 30,232 | | | |
| Private equity funds of funds | 914 | | | |
| Total investments measured at the NAV | 177,170 | | | |
| Total investments measured at fair value | $ 295,137 | | | |

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued based on evaluated prices using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing for all securities was provided by a third party pricing vendor and developed in accordance with the provisions of GASB Statement No. 72. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investment Measured at the NAV
($ in thousands)

| | Fair Value | Unfunded Commitments | Redemption Frequency (If currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Common stock funds | $ 73,752 | - | Daily/Monthly | 1-14 days |
| Other fixed income funds | 14,606 | - | Daily/Monthly | 1-30 days |
| Real estate funds | 57,666 | 18,125 | Quarterly/None | 45-90 days |
| Hedge funds | 30,232 | - | Quarterly | 45-90 days |
| Private equity funds of funds | 914 | 11,066 | None | N/A |
| Total investments measured at the NAV | $ 177,170 | $ 29,191 | | |

**d. *Common stock funds***

This fund category includes investments in three external investment pools that invest in publicly listed U.S. and international equities. Unitized external investment pools are reported at fair value based upon the NAV of shares/units held at year-end, provided by fund administrators. The nonunitized external investment pool is reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment manager. Based on the valuation policies and procedures provided by investment managers, all investments contained in the pooled funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Funds are available for withdrawal daily, with the exception of Vontobel Global Emerging Markets Fund, which provides monthly liquidity.

***e. Other fixed income funds***

This fund category includes investments in an external investment pool that primarily invests in U.S. fixed income securities. The external investment pool is reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment manager. Certain individual holdings contained in the fixed income funds are not traded in active markets and/or market quotes are not readily available. Based on the valuation policies and procedures provided by investment managers, all investments contained in the pooled funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. The majority of holdings are classified within Level 2 of the valuation hierarchy. The external investment pool provides monthly liquidity.

**f. Real estate funds**

This fund category includes four open-end and one closed-end real estate fund and one that invests primarily in U.S. commercial real estate. Open-end funds are reported at fair value based upon the NAV of shares/units held at year end, provided by fund managers. The closed end fund, Harbert United States Real Estate Fund V, L.P., is reported at fair value based upon the net value of the

Plan's ownership interest in partners' capital, as provided by the investment manager. Based on the valuation policies and procedures provided by investment managers, all investments contained in the real estate funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Generally, individual holdings contained in the real estate funds are recorded at their estimated fair value using a combination of the income, cost and sales comparison methods. Managers use independent appraisers to determine the value of the holdings at least on an annual basis. The majority of holdings are classified within Level 3 of the valuation hierarchy. The individual real estate holding values do not necessarily represent the prices at which the real estate investments would be sold or repaid, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Amounts ultimately realized from each investment may vary materially from the fair values reflected in the manager statements.

Investments in the open-end real estate funds can be redeemed with the fund managers at of the end of a calendar quarter. Redemption requests are subject to certain restrictions and the availability of cash. Should redemption requests exceed such available cash, the funds prorate available cash among withdrawing investors according to the ratio of the requesting investor's units to the total units of all investors then requesting redemptions. Any redemption request that is not fully honored in any given quarter is deemed effective in following quarters until completed. The funds are not obligated to sell assets, borrow funds, alter investment or capital improvement plans or reduce reserves in order to honor redemption requests. The investment in the closed-end fund, which represent approximately 20.4 percent of the value of the investments in this type, cannot be redeemed. Distributions from the fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

**g. Hedge funds**

This fund category includes investments in two hedge funds that are multi-strategy funds pursuing a variety of absolute return strategies, investing in a wide range of financial instruments, including, but not limited to, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate or sovereign debt, bonds, notes or other debentures or debt participations, commodities, partnership interests, interests in investment companies, convertible securities, swaps, options (purchased or written), swaptions, futures contracts and other derivative instruments markets and relative value, as well as private investment funds (hedge fund of funds). The fair values of the investments in this category have been determined using the NAV per share of the investments, as provided by the investment managers. Based on the valuation policies and procedures provided by investment managers, all investments contained in hedge funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. The majority of holdings in Blackrock Appreciation IV Fund, which invests primarily in private investment funds, are not categorized in the fair market value hierarchy and are valued using NAV per share. The majority of holdings in Visium Global Fund are classified within Level 1 of the valuation hierarchy, with less than 1 % of the portfolios classified as Level 3. Investments in the funds in this type can be redeemed with the fund managers at of the end of a calendar quarter. However, Blackrock Appreciation Fund, which constitutes 83 percent of this type of investment, limits the amount that can be redeemed each quarter to 25% of the each investor's total investment.

**h. Private equity funds of funds**

This fund category includes investments in two private equity fund-of-funds which invest in private investment funds. Aberdeen U.S. Private Equity VI, L.P., which is a buyout fund-of-funds, offers a concentrated multi-manager approach with 14-16 private equity managers along with selective coinvestments and secondary investments and focuses on small-to-medium sized companies. Horsley Bridge Venture XI, L.P., which is a venture fund-of-funds, is expected to invest in 15-20 established and emerging private equity managers providing seed and early stage exposure to the technology sector in the United States, Europe and Asia. Private equity funds are reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment managers. Based on the valuation policies and procedures provided by investment managers, all investments contained in private equity funds of funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Fund of funds managers rely on the values reported by the underlying private equity managers to prepare the funds' financial reports. If audited capital values are not available, a combination of the roll forward method of valuation, independent auditor confirmation of valuation, and review of the unaudited values is used as an alternative valuation method.

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

### i. Income taxes

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

### j. 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.

## Note 3 - Investments

### *a. Investment Policy*

The Plan's investment policy and any changes to the policy are adopted by the Board acting in its capacity as Trustee of the Plan. The most recent version of the policy was approved on October 8, 2014 and contains updated long-term asset allocation ranges.

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

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

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

**Long Term Asset Allocation Ranges**

| | Allowable range Years ended December 31 | | |
|---|---|---|---|
| **Asset Segment** | **2015** | | **2014** |
| Equities | 35%-70% | - | 35%-70% |
| Fixed Income | 10-50 | | 10-50 |
| Alternatives | 10-40 | - | 10-40 |

### *a. Money-Weighted Rate of Return*

For the years ended December 31, 2015 and 2014, respectively, the annual money-weighted rate of return on Plan investments, net of investment expense, was 0.8% and 6.4%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

### *b. Custody and Management of Assets*

During 2015 and 2014, the Northern Trust Company served as asset custodian for all Plan assets. The Board has elected to hire professional investment managers to invest the assets of the Plan on a fully discretionary basis, subject to the investment policy of the Board. Each manager is evaluated periodically against the appropriate benchmark for his/her asset class and style. Failure to achieve the desired result does not necessitate, nor does achievement of the desired result preclude, termination of investment managers.

During 2015 and 2014, the Plan assets were managed by the following investment managers:

| | |
|---|---|
| Aberdeen Asset Management Inc. | Since August 2015 |
| Advisory Research Inc | Since January 2012 |
| Babson Capital Management LLC | Since August 2013 |
| BlackRock Alternative Investors | Since March 2012 |
| Denver Investment Advisors, LLC | Hired prior to 1978 |
| Dimensional Fund Advisors, LP | Since February 2008 |
| GAM Fund Management Limited | Terminated November 2015 |
| Harbert Management Corporation | Since July 2014 |
| Harding Loevner Funds, Inc. | Since August 2011 |
| Horsley Bridge Venture | Since July 2015 |
| JP Morgan Investment Management, Inc. | Since November 2005 |
| Northern Trust Investments, N.A. | Since July 2006 |
| Pacific Investment Management Company, LLC | Since July 2006 |
| Prudential Real Estate Investors | Since March 2006 |
| Fidelity Institutional Asset Management * | Since July 2011 |
| RREEF America LLC | Since January 2015 |
| UBS Realty Investors, LLC | Since May 1998 |
| Vanguard Group, INC. | Since February 2012 |
| Visium Asset Management | Since December 2015 |
| Vontobel Asset Management, Inc. | Since February 2014 |
| Winslow Capital Management, LLC | Since August 2011 |

* Formerly Pyramis Global Advisors

### *c. 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, 2015 and 2014, there were no deposits subject to custodial credit risk.

### *d. 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, 2015**

| Investment Type | Fair value | Less than 1 year | 1 to 6 years | 6 to 10 years | 10 + years | Maturity not determined** |
|---|---|---|---|---|---|---|
| Asset-backed securities | $ 797,730 | - | $ 762,170 | - | $ 35,560 | - |
| Corporate bonds | 8,735,331 | 460,042 | 4,100,997 | 2,761,128 | 1,413,164 | - |
| Government agencies | 14,606,703 | - | - | - | - | 14,606,703 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Government bonds | 3,785,555 | 1,074,741 | 427,359 | 494,893 | 1,788,562 | - |
| Government mortgage-backed securities | 577,472 | - | - | - | 577,472 | - |
| Municipal bonds | 997,851 | - | - | - | 997,851 | - |
| Nongovernment-backed C.M.O.'s | - | - | - | - | 311,337 | - |
| Short term investments | 3,272,351 | - | - | - | - | 3,272,351 |
| Other fixed income | 14,606,476 | - | - | - | - | 14,606,476 |
| **Total** | $ 47,690,806 | $ 1,534,783 | $ 5,290,526 | $ 3,256,021 | $ 5,123,946 | $ 32,485,530 |

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

### *e. 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, 2015, 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.

### *f. 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, 2015 are listed below. For securities with split ratings, the lowest rating is shown.

**Schedule of Credit Risk as of December 31, 2015**

| Investment type | Quality rating | Fair value | Percentage of portfolio |
|---|---|---|---|
| Asset-backed securities | AAA/Aaa | $ 613,599 | 1.3% |
| | AA/Aa | 35,560 | 0.1 |
| | NR/NA[2] | 148,571 | 0.3 |
| Corporate bonds | AA/Aa | 759,909 | 1.6 |
| | A/A | 2,649,082 | 5.6 |
| | BBB/Baa | 3,477,461 | 7.3 |
| | BB/Ba | 1,128,661 | 2.4 |
| | CCC/Caa | 72,900 | 0.1 |
| | NR/NA[2] | 647,318 | 0.5 |
| Government agencies | NR/NA[3] | 14,606,703 | 30.6 |
| Government bonds | NR/NA[1] | 3,785,555 | 7.9 |
| Government mortgage-backed securities | AAA/Aaa | 114,366 | 0.2 |
| | NR/NA[1] | 463,106 | 1.0 |
| Municipal bonds | AAA/Aaa | 194,500 | 0.4 |
| | AA/Aa | 332,994 | 0.7 |
| | A/A | 335,884 | 0.7 |
| | BBB/Baa | 134,473 | 0.3 |

| | | | |
|---|---|---|---|
| Nongovernment-backed C.M.O.'s | NR/NA[3] | 311,337 | 0.6 |
| Short-term investments | NR/NA[3] | 3,272,351 | 6.9 |
| Other fixed income | NR/NA[2] | 14,606,476 | 30.6 |
| Total fixed income securities | | $ 47,690,806 | 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.*

### *g. Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit. The Plan holds investments with foreign currency risk related to the following currencies: Euro, Japanese yen, British pound sterling, Swiss Franc, Hong Kong dollar, Australian dollar, Canadian dollar, Taiwan dollar, South Korean won, Indian rupee, Swedish krona, South African rand, Mexican peso, Brazilian real, Denmark krone, Malaysian ringgit, Singapore dollar, Thailand baht, Indonesian rupiah, Norwegian krone, Russian ruble, Polish zloty, Turkish lira, Chilean peso, Israeli shekel, Philippines peso, Hungarian forint, New Zealand dollar, Czech koruna, Colombian peso, Pakistani rupee, Cayman Islands dollar and various other European, Asian and African currencies.

The following table provides the Plan's maximum exposure to foreign currency risk in U.S. dollars as of December 31, 2015:

**Schedule of assets in foreign currencies**

| | Dollar allocation invested in foreign securities | Percentage of fund invested in foreign currencies |
|---|---|---|
| Equities | | |
| Common stock-funds | $ 43,152,599 | 30.1% |
| Other equities | 4,898,713 | 56.1 |
| Hedge funds | 7,244,907 | 24.0 |
| Total | $ 55,296,219 | |

### *h. 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, 2015 and 2014.

## Note 4 - Commitments

As of December 31, 2015, the Plan was a party to four limited partnership agreements with real estate and private equity managers that have unfunded capital commitments. Failure by the Plan to fund a capital call is considered a default under the agreements and various penalties, as defined, may be imposed upon the Plan for such failure. The commitment period for all partnerships extends until the Plan's capital commitment is fulfilled, or the partnership's term is reached. At December 31, 2015, the Plan had remaining unfunded capital commitments of $29.2 million. Subsequent to December 31, 2015 but prior to release of the financial statements $15.9 million was called and paid resulting in a remaining unfunded amount of $13.3 million.

## Note 5 - Net Pension Liability of Denver Water

The components of the net pension liability of Denver Water at December 31, 2015 and 2014 were as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| Total pension liability | $ 371,430,910 | $ 348,593,869 |
| Plan net position restricted for pension | (198,574,600) | (302,339,000) |
| Denver Water's net pension liability | $ 72,856,310 | $ 46,254,869 |
| Plan net position restricted for pension as a percentage of the total pension liability | 80.38% | 86.73% |

### *a. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of January 1, 2015 and January 1, 2014, respectively, calculated based on the discount rate and actuarial assumptions below.

| | December 31, | |
|---|---|---|
| | **2015** | **2014** |
| Inflation | 2.75% | 3.00% |
| Salary increases: age-based rates from | 6.25 to 3.35 | - |
| Salary increases: credit-based rates from | - | 6.1 to 3.6 |
| Investment rate of return | 7.25 | 7.50 |

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

The mortality rates for year 2014 were based on the RP-2000 Combined Healthy Mortality Table, blended 50% Blue Collar adjusted and 50% White Collar adjusted, and projected to 2021 using Scale AA.

The actuarial assumptions used in the January 1, 2015 valuation were based on an actuarial experience study for the period 2010-2014. The January 1, 2014 valuation were based on the results of an actuarial experience study for the period 2005 –2009

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the annualized long-term geometric mean return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 and 2014 are summarized in the following table.

| | **January 1,** | |
|---|---|---|
| Asset class | **2015** | **2014** |
| Domestic fixed income | 0.75% | 2.0% |
| International fixed income | (0.85) | - |
| Domestic equity | 5.1 | 4.2 |
| International equity | 5.0 | 4.2 |
| Private equity | 5.9 | - |
| Real estate | 3.75 | 3.7 |
| Commodities | 0.50 | - |
| Hedge funds | 3.0 | 2.7 |
| Public real assets | 3.75 | - |

***b. Discount Rate***

The discount rate used in the 2015 actuarial valuation to measure the total pension liability was 7.25%. In the 2014 actuarial valuation, the discount rate used to measure the total pension liability was 7.5%. The change in the discount rate assumption was the result of an actuarial review. The projection of cash flows used to determine the discount rate assumed contributions would be made at the current actuarially determined contribution rate. Based on these assumptions, the pension plan's net position restricted for pension was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***a. Sensitivity of the Net Pension Liability to changes in the Discount Rate***

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.25% and 7.5% for 2015 and 2014, respectively, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

| 2015 | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|---|---|---|---|
| Net pension liability | $ 114,468,034 | 72,856,310 | 37,689,433 |
| **2014** | **6.50%** | **7.50%** | **8.50%** |
| Net pension liability | $ 84,924,350 | 46,254,869 | 13,420,282 |

## Note 6 - Related Party Transactions

An affiliate of the Plan's custodian, Northern Trust Investments, N.A., is an investment manager for the Plan, which managed $51.0 million and $55.4 million of the Plan's investments at December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, the Plan incurred approximately $26,600 and $27,800, respectively, in management fees with this investment manager.

## Note 7 - Plan Amendment

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

The Plan 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.

# Note 8 - Required Supplementary Information

## c) Schedule of Changes in Net Pension Liability and Related Ratios

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total pension liability** | | | | | | | | | | |
| Service cost | 6,756,642 | 6,071,395 | 6,046,257 | | | | | | | |
| Interest on total pension liability | 25,820,051 | 25,043,773 | 24,051,100 | | | | | | | |
| Effect of plan changes | - | - | - | | | | | | | |
| Effect of assumption changes or inputs | 10,152,400 | - | - | | | | | | | |
| Effect of economic/demographic (gains) or losses | 801,448 | - | 2,037,171 | | | | | | | |
| Benefit payments | (20,693,500) | (20,365,600) | (17,850,600) | | | | | | | |
| **Net change in total pension liability** | 22,837,041 | 10,749,568 | 14,283,928 | - | - | - | - | - | - | |
| **Total pension liability, beginning** | 348,593,869 | 337,844,301 | 323,560,373 | | | | | | | |
| **Total pension liability, ending (a)** | 371,430,910 | 348,593,869 | 337,844,301 | | | | | | | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Employer contributions | 14,500,000 | 14,500,000 | 15,000,000 | | | | | | | |
| Member contributions | - | - | - | | | | | | | |
| Investment income net of investment expenses | 2,473,300 | 18,523,200 | 39,023,000 | | | | | | | |
| Benefit payments | (20,693,500) | (20,365,600) | (17,850,600) | | | | | | | |
| Administrative expenses | (44,200) | (144,000) | (115,500) | | | | | | | |
| **Net change in plan fiduciary net position** | (3,764,400) | 12,513,600 | 36,056,900 | - | - | - | - | - | - | |
| **Fiduciary net position, beginning** | 302,339,000 | 289,825,400 | 253,768,500 | | | | | | | |
| **Fiduciary net position, ending (b)** | **298,574,600** | **302,339,000** | **289,825,400** | **-** | **-** | **-** | **-** | **-** | **-** | |
| **Net pension liability, ending = (a) - (b)** | **72,856,310** | **46,254,869** | **48,018,901** | | | | | | | |
| **Plan fiduciary net position as a % of total pension liability** | 80.38% | 86.73% | 85.79% | | | | | | | |
| **Covered payroll** | 75,990,457 | 71,847,268 | 71,940,163 | 71,172,362 | 69,926,961 | 70,372,085 | 65,721,304 | 60,346,577 | 58,578,510 | 57,224,980 |
| **Plan's net pension liability as a % of covered payroll** | 95.88% | 64.38% | 66.75% | | | | | | | |

## d) Schedule of Employer Contributions

| Year Ended December 31 | Actuarially Determined contribution | Actual employer contribution | Contribution Deficiency (excess) | Covered payroll | Contribution as a % Of covered payroll |
|---|---|---|---|---|---|
| 2006 | 8,268,755 | 8,269,119 | (364) | 57,224,980 | 14.45% |
| 2007 | 6,981,523 | 7,277,159 | (295,636) | 58,578,510 | 12.42% |
| 2008 | 7,233,450 | 7,590,475 | (357,025) | 60,346,577 | 12.58% |
| 2009 | 11,871,976 | 14,500,000 | (2,628,024) | 65,721,304 | 22.06% |
| 2010 | 12,638,827 | 12,638,827 | 27 | 70,372,085 | 17.96% |
| 2011 | 12,414,279 | 15,400,000 | (2,985,721) | 69,926,961 | 22.02% |
| 2012 | 12,256,238 | 14,300,000 | (2,043,762) | 71,172,362 | 20.09% |
| 2013 | 11,957,548 | 15,000,000 | (3,042,452) | 71,940,163 | 20.85% |
| 2014 | 13,532,013 | 14,500,000 | (967,987) | 71,847,268 | 20.18% |
| 2015 | 14,067,795 | 14,500,000 | (432,205) | 75,990,457 | 19.08% |

See accompanying independent auditors' report.

### Notes to Schedule

| | |
|---|---|
| Valuation date: | Actuarially determined contribution rates are calculated as of January 1 |

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar |
| Amortization period | Layered |
| Amortization period at 01/01/2014 | 15 years |
| Asset valuation method | 3-year smoothed market |
| Inflation | 2.75% |
| Salary increases | Age-based rates from 6.25% to 3.35% |
| Investment rate of return | 7.25%, net of pension plan investment expenses, including inflation |
| Cost of living adjustments | 3.00% |
| Retirement age | Table of rates by age and eligibility |
| Turnover | Table of rates graded by years of service |
| Mortality | Healthy Lives: RP-2000 Combined Healthy Mortality Table projected to 2020 using Scale BB. Disabled Lives: RP-2000 Combined Healthy Mortality Table, set forward 3 years, and projected to 2020 using Scale BB. |

### e) Schedule of Investment Returns

| Fiscal Year Ending December 31, | Net Money-Weighted Rate of Return |
|---|---|
| 2006 | N/A |
| 2007 | N/A |
| 2008 | N/A |
| 2009 | N/A |
| 2010 | N/A |
| 2011 | N/A |
| 2012 | N/A |
| 2013 | 15.35% |
| 2014 | 6.44% |
| 2015 | 0.81% |

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

## Additional Supplementary Information (unaudited)

### f) Schedule of Administrative Expenses

| | 2015 | 2014 |
|---|---|---|
| Actuarial Services | $ 24,239 | $ 24,300 |
| Benefit Payment Processing[2] | - | 97,900 |
| Audit Services | 20,000 | 21,800 |
| Total Administrative Expenses | 44,239 | 144,000 |
| Average Assets[1] | $ 300,864,000 | $ 296,189,800 |
| Administrative Expenses as a percentage of Average Assets | 0.015% | 0.049% |

[1]Average Assets are calculated based on total assets less securities payable.

[2]Benefit payment processing expenses in prior year was treated as investment performance reporting expense in 2015 resulting in a decrease in 2015 expenses

## g) Schedule of Investment Expenses

| | 2015 | 2014 |
|---|---|---|
| Advisory Research Inc. | $ 97,449 | $ 125,338 |
| Babson Capital Management LLC | 71,506 | 69,560 |
| Blackrock Alternative Investors | 201,555 | 150,489 |
| Denver Investment Advisors, LLC | 63,407 | 65,923 |
| Dimensional Fund Advisors LP | 135,404 | 136,580 |
| Aberdeen Asset Management Inc. | 61,714 | - |
| GAM Fund Management Limited | 154,394 | 132,088 |
| Harbert Management Corporation | 220,500 | 670,878 |
| Harding Loevner Funds, Inc. | 189,567 | 186,174 |
| Horsley Bridge Venture | 18,000 | - |
| JP Morgan Investment Management, Inc. | 89,502 | 84,804 |
| Northern Trust Investments, N. A. | 26,609 | 27,785 |
| Pacific Investment Management Company, LLC | 75,233 | 198,218 |
| Prudential Real Estate Investors | 84,499 | 90,069 |
| Fidelity Institutional Asset Management | 103,605 | 97,959 |
| RREEF America LLC | 90,868 | - |
| UBS Realty Investors, LLC | 122,936 | 107,106 |
| Vanguard Group, INC. | 47,894 | 48,864 |
| Visium Asset Management | 8,494 | - |
| Vontobel Asset Management Inc. | 81,624 | 81,355 |
| Winslow Capital Management, LLC | 116,398 | 121,354 |
| Total payments to investment advisors | 2,061,157 | 2,394,545 |
| Investment Consulting Expense | 78,204 | 77,600 |
| Investment Performance Reporting Expense[2] | 129,456 | 12,800 |
| Total Investment Expenses | 2,268,817 | $2,484,945 |
| | | |
| Average Assets[1] | $ 300,864,000 | $ 296,189,800 |
| | | |
| Investment Expenses as a Percentage of Average Assets | 0.754% | 0.839% |

[1]Average Assets are calculated based on total assets less securities payable.

# B. DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

## Independent Auditor's Report

CliftonLarsonAllen LLP
CLAconnect.com

### 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.

The Board of Water Commissioners, City and County of Denver, Colorado
Denver Water Supplemental Retirement Savings Plan

***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

## Management's Discussion and Analysis (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)**

| | as of December 31, | | | 2015-2014 | | | 2014-2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **Increase (Decrease)** | **% Change** | | **Increase (Decrease)** | **% 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 | 671.7 | | (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 assets | $ 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 form 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) | % Change | | Increase (Decrease) | % 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) | (29.7) | |
| Net Investment (loss) 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) | % Change | | Increase (Decrease) | % 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

## Basic Financial Statements

### a) Statements of Net Position

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| 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 expense | 17,500 | 17,500 |
| Net position | $ 79,582,400 | $ 77,792,000 |

See accompanying notes to financial statements.

## b) Statements of Changes in Net Position

| | Years Ended December 31, 2015 | 2014 |
|---|---|---|
| **Additions** | | |
| Investment income | | |
| Net appreciation in fair value of investment | $ (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.

# Notes to the Financial Statements

## Note 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.

### *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.

***b. 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).

***c. 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.

***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 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.

### *d. 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.

### *e. 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.

### *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.

## Note 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**

| | | 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 | - | - |

### *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.

## Note 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 Cap 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 | 715 | 916 |
| Frost Total Return Bond Institutional | 3,403 | 4,138 |
| Galliard Retirement Income | 12,785 | 12,618 |
| Harbor International | 4,723 | 4,889 |
| PIMCO High Yield | 1,418 | 1,391 |
| T. Rowe Price Growth Stock | 6,516 | 5,702 |
| Vanguard Inflation Protected Bond | 1,022 | 1,116 |
| Vanguard Institutional Index Fund | 6,793 | 6,114 |
| Vanguard Mid Cap Index | 7,951 | 7,915 |
| Vanguard Target Retirement 2010 | 49 | 48 |
| Vanguard Target Retirement 2015 | 2,515 | 2,666 |
| Vanguard Target Retirement 2020 | 1,110 | 709 |
| Vanguard Target Retirement 2025 | 6,959 | 6,684 |
| Vanguard Target Retirement 2030 | 340 | 148 |
| Vanguard Target Retirement 2035 | 3,516 | 3,456 |
| Vanguard Target Retirement 2040 | 575 | 506 |
| Vanguard Target Retirement 2045 | 3,000 | 2,852 |
| Vanguard Target Retirement 2050 | 56 | 34 |
| Vanguard Target Retirement 2055 | 441 | 438 |
| Vanguard Target Retirement 2060 | 402 | 293 |
| Vanguard Target Retirement Income | 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.

## Note 4 - Administrative Expenses/ Participant Investment Advisory Fees

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.

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.

## Note 5 - 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.

### *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.

### *b. 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).

***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 | 7.11 | 5.48 | AA |
| Vanguard Target Retirement 2015 | 7.41 | 5.68 | AA |
| Vanguard Target Retirement 2020 | 8.15 | 6.17 | AA |
| Vanguard Target Retirement 2025 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2030 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2035 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2040 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2045 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2050 | 8.28 | 6.26 | A |
| Vanguard Target Retirement 2055 | 8.26 | 6.24 | AA |
| Vanguard Target Retirement 2060 | 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 | 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*

***c. Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The SRSP diversified selection of mutual funds encourages the participants to employ diversification, asset allocation, and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of their portfolio.

The SRSP exposure to foreign currency risk measured by fund allocation to foreign securities as of the most recent information available is summarized in the table below (amounts are expressed in thousands):

**Schedule of assets invested in foreign securities**

| | Dollar allocation invested in foreign securities | Percentage of fund invested in foreign securities |
|---|---|---|
| American Beacon Small Cap Value | $ 33 | 1.0% |
| American Funds Washington Mutual | 352 | 4.9 |
| Baron Growth | 39 | 2.2 |
| Cohen & Steers Global Realty | 169 | 44.8 |
| Domini Social Equity | 16 | 3.1 |
| Frost Total Return Bond | 456 | 13.4 |
| Harbor International | 4,076 | 86.3 |
| PIMCO High Yield | 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 | 15 | 31.0 |
| Vanguard Target Retirement 2015 | 853 | 33.9 |
| Vanguard Target Retirement 2020 | 411 | 37.0 |
| Vanguard Target Retirement 2025 | 2,617 | 37.6 |
| Vanguard Target Retirement 2030 | 129 | 37.9 |
| Vanguard Target Retirement 2035 | 1,350 | 38.4 |
| Vanguard Target Retirement 2040 | 224 | 38.9 |
| Vanguard Target Retirement 2045 | 1,170 | 39.0 |
| Vanguard Target Retirement 2050 | 22 | 39.0 |
| Vanguard Target Retirement 2055 | 172 | 38.9 |
| Vanguard Target Retirement 2060 | 157 | 39.0 |
| Vanguard Target Retirement Income | 193 | 30.2 |
| Total | $ 13,277 | |

## Note 6 - 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.

On 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.

# C. DENVER WATER 457 DEFERRED COMPENSATION PLAN

## Independent Auditor's Report

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT**

The Board of Water Commissioners, City and County of Denver, Colorado
Denver Water 457 Deferred Compensation 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 457 Deferred Compensation 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.

The Board of Water Commissioners, City and County of Denver, Colorado
Denver Water 457 Deferred Compensation Plan

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 457 Deferred Compensation 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

## Management's Discussion and Analysis (Unaudited)

This is an analysis and overview of the financial activities of the Denver Water 457 Deferred Compensation Plan (Plan) for the years ended December 31, 2015 and 2014. This information should be read in conjunction with the Plan financial statements and notes, which follow.

### Financial Highlights

As of December 31, 2015 and 2014 respectively, $30.8 million and $32.3 million was held in trust for the payment of benefits to the Plan participants.

Total net position decreased by $1.5 million or 4.7% in 2015. This compares with an increase in 2014 of $2.0 million or 6.6%. The decrease in 2015 was due to a combination of an increase of benefits paid to participants and the depreciation of market values. The increase in net position in 2014 was due to an increase in participant contributions and an increase in dividends.

In 2015, the Plan had net investment income of $327,800 compared to $1.8 million in 2014. Participant contributions were approximately $2.2 million in 2015 and $1.9 million in 2014.

Deductions from net position totaled $4.2 million in 2015 and $1.7 million for 2014 and were primarily for benefit payments to participants.

The Plan is a deferred compensation plan and its primary purpose is to attract and retain qualified personnel by permitting eligible employees to defer a portion of their current income for their retirement. At December 31, 2015 there were 352 participating employees in the Plan which constituted 35% of all eligible Denver Water employees. This compares to 343 participating employees in the Plan, constituting 33.3% of all eligible employees in 2014. There were 1,000 employees eligible for the Plan as of December 31, 2015 compared to 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 Plan's 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* presents the Plan's 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 Plan 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*, andall 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 Plan's 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 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 Plan as well as additions and deductions to the Plan. Additions to the Plan consist of participant and employer contributions, participant rollovers, interest income on outstanding participant loans, miscellaneous income, and net investment income. The Plan 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 Plan's net assets were:

**Net Position**
**(amounts expressed in thousands)**

| | as of December 31, | | | 2015-2014 | | | 2014-2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Increase (Decrease) | % Change | | Increase (Decrease) | % Change | |
| Mutual funds | $ 21,342 | $ 22,467 | 20,397 | (1,125) | (5.0) | % | 2,070 | 10.1 | % |
| Commingled fund | 8,982 | 9,494 | 9,686 | (512) | (5.4) | % | (192) | (2.0) | % |
| Money market fund | 236 | 305 | 122 | (69) | (22.6) | % | 183 | 150.0 | % |
| Total investments | 30,560 | 32,266 | 30,205 | (1,706) | (5.3) | % | 2,061 | 6.8 | % |
| Receivables: | | | | | | | | | |
| Contributions | 100 | 71 | 126 | 29 | 40.8 | % | (55) | (43.7) | % |
| *Participant loans | 159 | - | - | 159 | - | | - | - | |
| Other receivable | 3 | 2 | 9 | 1 | 50.0 | % | (7) | (77.8) | % |
| Total receivables | 262 | 73 | 135 | 189 | 258.9 | % | (62) | (45.9) | % |
| Total assets | 30,822 | 32,339 | 30,340 | (1,517) | (4.7) | % | 1,999 | 6.6 | % |
| Total liabilities | 7 | 7 | 7 | - | - | % | - | - | % |
| Plan net assets | $ 30,815 | $ 30,332 | 30,333 | (1,517) | (4.7) | % | 1,999 | 6.6 | % |

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

### *Plan Activities*

The decrease to net position in 2015 was primarily due to a combination of an increase of benefits paid to participants and the depreciation of market values. The total decrease in Plan net position was $1.5 million or 4.7%. In 2014, Plan net position increased by $2.0 million or 6.6%, as compared to 2013. 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 each participant and from income generated from the participants' investments including investment appreciation, interest and dividends. Earnings on investments are reported net of investment management expenses. Investment income net of investment manager fees during 2015 was $327,800 as compared to $1.7 million in 2014.

**Additions to Net Position**

**(amounts expressed in thousands)**

| | Years ended December 31, | | | 2015-2014 | | 2014-2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Increase (Decrease) | % Change | Increase (Decrease) | % Change |
| Participant contributions | $ 2,188 | $ 1,879 | $ 1,840 | $ 309 | 16.4 % | $ 39 | 2.1 % |
| Employer contributions | 36 | 35 | 23 | 1 | 2.9 % | 12 | 52.2 % |
| Participant rollovers | 82 | 9 | 110 | 73 | 811.1 % | (101) | (91.8) % |
| Participant loan interest | 2 | - | - | 2 | - | - | - |
| Miscellaneous income | 10 | 6 | 13 | 4 | 66.7 | (7) | - |
| Net investment income | 327 | 1,746 | 3,924 | (1,419) | (81.3) % | (2,185) | (55.5) % |
| Total additions | $ 2,645 | $ 3,675 | $ 5,910 | $ (1,030) | (28.0) % | $ (2,235) | (37.8) % |

### *Deductions*

Benefits paid to participants of $4.1 million in 2015 and $1.6 million in 2014 represent the majority of the deductions from the Plan. Benefits paid to participants were 151.2% more in 2015 compared to 2014 and 30.1% less in 2014 compared to 2013. The change in the amount of benefits paid to participants 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 Plan.

Administrative expenses for 2015 and 2014 were $28,600 and $28,400, respectively. Administrative fees are calculated based upon a percentage of the fair value of investments. In 2015, participant investment advisory fees were $6,200 as compared to $5,600 in 2014. Please refer to note 4 of the financial statements for information regarding administrative expenses.

**Deductions from Net Position**

**(amounts expressed in thousands)**

| | Years ended December 31 | | | 2015-2014 | | 2014-2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Increase (Decrease) | % Change | Increase (Decrease) | % Change |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Benefits paid to participants | $ 4,127 | $ 1,643 | $ 2,349 | $ 2,484 | 151.2 | % | $ (706) | (30.1) | % |
| Administrative expenses | 29 | 28 | 26 | 1 | 3.6 | % | 2 | 7.7 | % |
| Participant investment advisory fees | 6 | 6 | 3 | - | - | % | 2 | 100.0 | % |
| Total deductions | $ 4,162 | $ 1,677 | $ 2,378 | $ 2,485 | 148.2 | % | $ (701) | (29.5) | % |

## Requests for Information

This discussion and analysis is designed to provide a general overview of the 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

## Basic Financial Statements

### a) Statements of Net Position

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value | | |
| Mutual funds | $ 21,341,800 | $ 22,467,400 |
| Commingled fund | 8,982,000 | 9,493,800 |
| Money market fund | 236,300 | 305,400 |
| Total investments | 30,560,100 | 32,266,600 |
| Receivables | | |
| Participant contributions | 99,500 | 71,100 |
| Other receivable | 3,400 | 1,600 |
| Participant loans | 159,400 | - |
| Total receivables | 262,300 | 72,700 |
| Total assets | 30,822,400 | 32,339,300 |
| **Liabilities** | | |
| Accrued administrative expense | 6,900 | 7,300 |
| Net position | $ 30,815,500 | $ 32,332,000 |

See accompanying notes to financial statements.

## b) Statements of Changes in Net Position

| | Years Ended December 31, 2015 | 2014 |
|---|---|---|
| **Additions** | | |
| Investment income | | |
| Net appreciation in fair value of investment | $ (708,100) | $ 620,400 |
| Dividends | 1,035,900 | 1,125,500 |
| Net investment income | 327,800 | 1,745,900 |
| Contributions | | |
| Employer contributions | 2,187,500 | 1,878,600 |
| Participant contributions | 36,000 | 35,000 |
| Participant rollovers | 82,100 | 9,400 |
| Total contributions | 2,305,600 | 1,923,000 |
| Other additions: | | |
| Miscellaneous income | 9,500 | 6,200 |
| Participant loan interest | 2,300 | - |
| Total other additions | 11,800 | 6,200 |
| Total additions | 2,645,200 | 3,675,100 |
| **Deductions** | | |
| Benefits paid to participants | 4,126,900 | 1,642,900 |
| Administrative expenses | 28,600 | 28,400 |
| Participant investment advisory fees | 6,200 | 5,600 |
| Total deductions | 4,161,700 | 1,676,900 |
| Net Increase | (1,516,500) | 1,998,200 |
| **Net Position** | | |
| Beginning of year | 32,332,000 | 30,333,800 |
| End of year | $ 30,815,500 | $ 32,332,000 |

See accompanying notes to financial statements.

# Notes to the Financial Statements

## Note 1- Plan Description

The Denver Board of Water Commissioners, City and County of Denver, Colorado (Board) operates a water utility created by the Charter of the City and County of Denver. In 1987, the Board initiated a deferred compensation plan and adopted the Conference of Mayors' 457 Plan. The termination of the administrator of the Plan in December of 2000 required the Board to adopt a new plan. In January 2001, the Board adopted the Denver Water 457 Deferred Compensation Plan (Plan). All of the investments in the old Plan were sold and the proceeds were used to purchase like kind investments in the new Plan.

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 Plan. 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 Plan provides general information. Participants and others should refer to the Plan document for a more complete description of the Plan provisions.

### *a. General*

The Plan is a deferred compensation plan covering all regular and discretionary employees of the Board who have completed the required introductory period. The Plan's primary purpose is to attract and retain qualified personnel by permitting them to provide for benefits in the event of their retirement or death.

The Plan 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 defer up to an annual maximum amount as codified by the Internal Revenue Service. The Plan will accept transfers, pursuant to Section 457 of the Internal Revenue Code (Code), of amounts deferred by an individual under another eligible deferred compensation plan. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan was amended in 2013 to authorize employer discretionary contributions to qualifying participants. In 2015 and 2014 a discretionary contribution was made of $36,000 and 35,000, respectfully. 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.

### *c. Participant Accounts*

Each participant's account reflects the cumulative amount of each participant's deferred compensation and employer discretionary contribution (if any), including any income, gains, losses, or increases or decreases in market value attributable to the investment of the participant's deferred compensation and employer discretionary contribution (if any), 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 contributions is fully vested and nonforfeitable.

In addition to the participant's 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 Plan was amended on May 13, 2015 permitting participants of the Plan to draw loans from their account. Only active Plan participants 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 401(k) plan maintained by the same employer, the maximum loan amount available must be reduced by the highest outstanding loan balance during the past 12 months. The participant is responsible for ensuring that the aggregated loan amount on all plans sponsored by the same employer is the lesser of $50,000 or 50% of the vested account balance.

The Plan offers two loan options to the participants. One is a General Purpose Loan that has a term of twelve to sixty (12-60) months. No reason or documentation, other than a signed promissory note, is required when a participant requests a General Purpose Loan. The other is a Principal Residence Loan that has a term of 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 and it is deducted from the original loan amount as well as an annual administrative fee that is deducted quarterly and is assessed to each participant's account. The interest rate assessed to the loans is 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 is 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 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 lump sum amount equal to the value of the participant's interest in his or her account, or leave the balance in the Plan. Distributions from balances left in the Plan must begin no later than age 70½. When balances are paid, participants will receive payment under various payment options defined by the Plan. Upon the death of a participant, a death benefit equal to the value of the participant's account shall be payable to a designated beneficiary. The beneficiary may select from various payment options defined by the Plan.

***Recordkeeping, Custody and Management of Assets***

Effective December 29, 2015, the Board amended the original agreement with Empower Retirement for an additional five years of recordkeeping and communication services related to the Plan. 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.

***g. Plan Termination***

Though it has not expressed any intent to do so, the Board has the right under the Plan to terminate the Plan at any time with respect to any or all participants by resolution of the Board.

## Note 2 - Summary of Significant Accounting Policies

***a. Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 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 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 with 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**

| | | 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 | 5,019 | 5,019 | | |
| Funds-equity | 13,723 | 13,723 | | |
| Funds-fixed income | 11,699 | 11,699 | | |
| Funds-other | 119 | 119 | | |
| Total Mutual Funds | 30,560 | 30,560 | - | - |
| Total investments by fair value level | $ 30,560 | $ 30,560 | - | - |

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 Plan is intended to be an eligible deferred compensation plan under Section 457(b) of the Code. The Board and the Plan's tax counsel believe that the Plan is currently designed and operating in compliance with the applicable requirements of the Code.

## Note 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 Cap Val Institutional | $ 1,005 | $ 1,196 |
| American Funds Washington Mutual | 1,866 | 2,234 |
| Baron Growth Institutional | 596 | 572 |
| Cohen & Streers Institutional Global Realty | 119 | 92 |
| Domini Social Equity | 384 | 925 |
| Dreyfus Cash Management | 236 | 305 |
| Frost Total Return Bond Institutional | 1,422 | 1,987 |
| Galliard Retirement Income | 8,983 | 9,494 |
| Harbor International | 1,554 | 1,512 |
| PIMCO High Yield | 697 | 667 |
| T. Rowe Price Growth Stock | 3,829 | 3,628 |

| | | |
|---|---|---|
| Vanguard Inflation Protected Bond | 361 | 343 |
| Vanguard Institutional Index Fund | 2,847 | 2,483 |
| Vanguard Mid Cap Index | 1,642 | 1,896 |
| Vanguard Target Retirement 2010 | 70 | 63 |
| Vanguard Target Retirement 2015 | 657 | 1,081 |
| Vanguard Target Retirement 2020 | 234 | 186 |
| Vanguard Target Retirement 2025 | 1,691 | 1,428 |
| Vanguard Target Retirement 2030 | 92 | 35 |
| Vanguard Target Retirement 2035 | 625 | 642 |
| Vanguard Target Retirement 2040 | 103 | 73 |
| Vanguard Target Retirement 2045 | 758 | 748 |
| Vanguard Target Retirement 2050 | 3 | 4 |
| Vanguard Target Retirement 2055 | 74 | 94 |
| Vanguard Target Retirement 2060 | 215 | 208 |
| Vanguard Target Retirement Income | 497 | 371 |
| Total Investments | $ 30,560 | $ 32,267 |

The Plan offered twenty six mutual fund investment options (including twelve target date funds), one money market fund and one commingled fund as of December 31, 2015 and 2014. The Plan investments (including gains and losses on investments bought and sold, as well as income received on investments held during the year) during 2015 and 2014 generated investment income of approximately $327,800 and $1.7 million, respectively.

## Note 4 - Administrative Expense

The majority of investment options available to participants in the Plan are registered mutual funds. The dollar amount of fees paid by the Plan for investment management and administrative services on these funds is not separately disclosed. In 2015, the current 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 Plan (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 Plan 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 Plan participants at year-end at the discretion of the Board. In 2015 and 2014, total disbursements to participants at year-end were $3,400 and $1,600, respectively.

The assessed recordkeeping and communication fee for 2015 totaled $28,600. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period was $9,600 and participant wrap fees collected totaled $21,900. The assessed recordkeeping and communication fee for 2014 totaled $28,400. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period was $6,200 and participant wrap fees collected totaled $22,800.

## Note 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 $6,200 and $5,600, respectively.

## Note 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 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.

The Plan 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 these funds should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The Plan's investment is the mutual fund share or the commingled fund unit, not the underlying security. Additionally, investments in open-end mutual or commingled 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 Plan 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 Plan investment options are all diversified mutual funds and a commingled fund 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 Plan 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 Plan 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 Plan 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 | 7.11 | 5.48 | AA |
| Vanguard Target Retirement 2015 | 7.41 | 5.68 | AA |
| Vanguard Target Retirement 2020 | 8.15 | 6.17 | AA |
| Vanguard Target Retirement 2025 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2030 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2035 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2040 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2045 | 8.27 | 6.25 | AA |
| Vanguard Target Retirement 2050 | 8.28 | 6.26 | A |
| Vanguard Target Retirement 2055 | 8.26 | 6.24 | AA |
| Vanguard Target Retirement 2060 | 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 | 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 Plan's diversified selection of funds encourages the participants to employ diversification, asset allocation, and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of their portfolio.

The Plan exposure to foreign currency risk is measured by fund allocation to foreign securities as of the most recent information available is summarized in the table (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 Cap Value | $ 11 | 1.1% |
| American Funds Washington Mutual | 91 | 4.9 |
| Baron Growth | 13 | 2.2 |
| Cohen & Steers Global Realty | 53 | 44.8 |
| Domini Social Equity | 12 | 3.1 |
| Frost Total Return Bond | 191 | 13.4 |
| Harbor International | 1,341 | 86.3 |
| PIMCO High Yield | 150 | 21.5 |
| T. Rowe Price Growth Stock Fund | 203 | 5.3 |
| Vanguard Institutional Index Fund | 23 | 0.8 |
| Vanguard Mid Cap Index | 25 | 1.5 |
| Vanguard Target Retirement 2010 | 22 | 31.0 |
| Vanguard Target Retirement 2015 | 223 | 33.9 |
| Vanguard Target Retirement 2020 | 87 | 37.0 |
| Vanguard Target Retirement 2025 | 636 | 37.6 |
| Vanguard Target Retirement 2030 | 35 | 37.9 |
| Vanguard Target Retirement 2035 | 240 | 38.4 |
| Vanguard Target Retirement 2040 | 40 | 38.9 |
| Vanguard Target Retirement 2045 | 296 | 39.0 |
| Vanguard Target Retirement 2050 | 1 | 39.0 |
| Vanguard Target Retirement 2055 | 29 | 38.9 |
| Vanguard Target Retirement 2060 | 84 | 39.0 |
| Vanguard Target Retirement Income | 150 | 30.2 |
| Total | $ 3,956 | |

## Note 7 - Plan Amendments

Effective December 9, 2015, the Plan was revised to ensure that the Plan 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, reflects the updated maximum deferral limit of $18,000 and catch-up limit of $6,000, permits investment of funds in group trusts, provides that revenue sharing is reallocated to the participant account which generated the revenue sharing and is not credited to the unallocated account, and permits the distribution of funds to a civil union partner, dependent upon a qualified domestic relations order and a distributable event for the Participant.

On October 9, 2015 with an effective date of January 1, 2016, the Plan was amended to reflect a 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.

On May 13, 2015, the Plan was amended to permit participants of the Plan to draw loans from their account with an effective date of June 1, 2015. Participants that draw a loan are charged origination fees, administrative expenses and are assessed an interest rate for any outstanding balances.

The Plan 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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# III. INVESTMENT SECTION (UNAUDITED)

Employees' Retirement Plan

## Report on Investment Activity

The Northern Trust Company
50 South La Salle Street Chicago, Illinois 60603
(312) 630-6000

March 31, 2016

Plan Members, the Board of Trustees & Retirement Program Committee
Denver, Colorado

Dear Employee's Retirement Plan of the Denver Board of Water Commissioners,

This letter reviews the performance for the Denver Water Employees Retirement Plan (DWERP) for the year ended December 31, 2015.

Northern Trust calculates time-weighted performance statistics based on our accounting system's data using the BAI iterative methodology (CFA Institute accepted). Northern Trust evaluates DWERP's performance in relation to market indices, appropriate manager peer groups and other public funds of similar size.

DWERP's primary investment objective is to prudently and expertly invest assets, in accordance with government law and industry practices, in a manner that will help ensure DWERP's ability to pay promised benefits to its members and their beneficiaries. A policy benchmark is constructed that mirrors DWERP's strategic asset allocation policy. This policy benchmark is a custom index based on current asset allocation approved by the Director of Finance. The Board establishes ranges.

Market Environment

The U.S. equity markets had a fantastic rally in the fourth quarter with gains ranging from 3% to 7%. Large Cap led equities in the quarter with the Russell 1000 Growth the top equity segment for the full year of 2015. S&P 500 returned 1.38% for one year while the Russell 2000 lost -4.41%. For the year, growth stocks significantly outperformed their value counterparts with the Russell 1000 Growth returning 5.67% and the Russell 1000 Value losing -3.83%.

The U.S. economy grew consistently through the 3rd quarter but appears to have slowed in the 4th quarter due to mixed signals. Real U.S. gross domestic product (GDP) grew at an annual rate of 2.5% in the third quarter, the unemployment rate held at 5.0% in December, and inflation held below the Fed's 2.0% target (thanks to low energy prices and strong dollar). Overall, economic growth in 2016 is expected to pick up with 4th quarter just a brief slow down.

Within the fixed income markets, municipals outperformed both Treasuries and corporate bonds due to their attractive income and unique tax advantages. The Barclay's Capital Aggregate index gained 0.55% for the year and the Barclay's Capital Government Credit index returned 0.15%.

The International equity markets trailed the U.S. equity markets during 2015. The MSCI ACWI ex USA ND index lost -5.66% for the year in U.S. dollar terms.

DWERP Performance

For the calendar year, DWERP's total fund had a time-weighted rate of return of 1.08%. DWERP's performance topped the median return of 0.64% of the TUCS Universe of Public Funds valued at $500 million. The plan was in line with its strategic policy benchmark target return for 2015.

The policy benchmark at year-end was comprised of the following indices in the percentages as follows: MSCI ACWI (57.5%), HFR Fund of Funds Composite (10%), BC U.S. Aggregate (15%), and NCREIF-ODCE (17.5%).

Over the trailing three years ending 12/31/15, DWERP earned a 7.7% annualized return. The trailing 5-year return now stands at 7.0% and is 0.7% ahead of the policy target return. The 10-year trailing return is 4.8% and it trails the benchmark by 0.5%.

DWERP's U.S. equity composite lost -1.6% in 2015, trailing the benchmark return of 0.5%. The 3-year return of 13.8% also trails the benchmark return of 14.7%. Advisory Research was the only U.S. equity manger with losses for the year.

DWERP's real estate investments had success returning of 15.5% for the year. The real estate benchmark return was 15.0%.

DWERP's fixed income composite gained 0.5% for the year. This return trailed the BC U.S. Aggregate index return of 0.6%. The 3-year return of 0.9% trails the benchmark return of 1.4%.

DWERP's hedge fund composite gained 0.8% for the year. This return outpaced the HFR Fund of Funds Composite rate of -0.2%.

In summary, the portfolio performed in line with the total fund benchmark in 2015 and its performance ranks above the median of the TUCS Universe of Public Funds valued at $500 million or less. Overall this was a very challenging year for equity managers and particularly international. Fixed Income, Real Estate and Hedge Funds provided gains while both Domestic and International Equity had losses.

Sincerely,

Jim Bailey
Consultant and 2nd Vice President

The Northern Trust Company is a wholly owned subsidiary of Northern Trust Corporation, Chicago. Member FDIC. Equal Housing Lender

## Outline of Investment Policies

*Excerpted from the "Statement of Investment Objectives, Policy and Guidelines for the Investment of the Retirement Trust Fund of the Employees' Retirement Plan of Denver Board of Water Commissioners", approved by the Board on October 8, 2014 ("IPS.")*

The purpose of the IPS is to provide the Director of Finance, and other staff with a foundation from which to effectively engage and evaluate the performance of Investment Managers and to oversee the management of the Fund in a prudent manner.

The investment objective of the Fund 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.

All transactions that utilize assets of the Fund will be undertaken for the sole benefit of the Fund and its beneficiaries. The assets will be invested in a manner consistent with the Plan Document and any applicable Federal, State, or Internal Revenue Service laws or regulations. The Fund's assets will be managed with that degree of care, prudence and diligence that a prudent person, acting in a like capacity and familiar with such matters, would use in a similar situation. Investment decisions with respect to individual assets should be evaluated not in isolation but in the context of the entire portfolio and as part of an overall investment strategy having risk and return objectives reasonably suited to the Fund.

The Board, in its capacity as Trustee to the Plan, is a fiduciary of the Fund. The Board may, from time to time, delegate some of its Trustee duties. All persons or entities to which duties are delegated will have a fiduciary duty to the Trust and will follow the Prudent Conduct requirements of the Plan Document.

The asset allocation strategy is designed to reflect, and be consistent with, the long-term investment objective expressed in the "Objectives" section of this Policy. In order to achieve this objective, various asset classes and investment manager styles are selected by the Director of Finance to create a broadly diversified portfolio. Both the actuarial return assumption and the asset allocation strategy will change through time to reflect current investment objectives and market conditions. 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 risk tolerance; the Plan's liquidity needs; and any legal or regulatory issues. The allowable long-term asset allocation ranges are outlined in the appendix to the IPS. The current 1ong-term allocation ranges are as follows:

| | |
|---|---|
| Equities | 35-70% |
| Fixed income | 10-50% |
| Alternatives | 10-40% |

Although there is no specific allocation to cash, the Board recognizes that it is necessary to hold a portion of the Fund as immediately available funds to pay scheduled and unscheduled benefits and administrative expenses. The appropriate level of cash reserves will depend upon anticipated liquidity needs as determined by the Director of Finance on an ongoing basis.
Investment Managers are given full discretionary authority over the management of their assigned investment portfolio, subject to the Fiduciary Standard stated above and any other policies and

guidelines within this Policy and within other guidelines agreed upon by the Director of Finance and the Investment Managers. Separate accounts or pooled funds may be used based upon the most favorable approach for the Fund's circumstances. If pooled funds are used, the pooled funds' investment goals, policies, guidelines and restrictions are set forth in a separate document governing the investments of the pooled fund rather than in the IPS.

Active Investment Managers are expected to outperform their respective passive index designated by the Director of Finance, with the assistance of the Investment Consultant, and rank above median within a peer universe of active Investment Managers over rolling three-to-five year periods. Passive products are expected to produce returns that have minimal tracking error to their target index returns

The Board has delegated implementation of this Policy to the full time staff member occupying the position of the Director of Finance. Details concerning the Board's delegation may be found in the 2013 Denver Water Delegation Resolution Regarding the Retirement Program ("Resolution") approved on May 8, 2013. The Director of Finance may assign members of his/her Treasury staff to perform the day to day actions necessary to implement his/her decisions/actions, while retaining his/her fiduciary status. The Director of Finance is directed to review this Policy, including the asset allocation ranges, at a minimum, annually with the Investment Consultant for continued appropriateness, and to recommend changes to the Board when appropriate.

As a supplement to the IPS, the Operating Procedure document created and maintained by the Treasury section since October 2009, is intended to provide the operating instructions to the investment professionals at Denver Water responsible for oversight and day-to-day management of the Fund. The Procedure defines the risk and returns objectives of the Fund, expands on the underlying principles of the Board in the management of the Fund, describes the approved categories of investments and asset mix guidelines, provides guidance for the prudent and effective management of the Fund including constraints, and establishes the process for hiring and monitoring investment managers.

## Schedule of Investment Managers

| Manager | Strategy/Product | Vehicle | Date funded |
|---|---|---|---|
| **Domestic Equity Managers** | | | |
| Advisory Research, Inc.[1] | Master Limited Partnership | Separately managed account | since 01/2012 |
| Winslow Capital Management, LLC | Winslow Large Cap Growth Portfolio | Separately managed account[2] | since 08/2011 |
| Fidelity Institutional Asset Management [2] | Small/Mid Cap Core | Commingled fund | since 07/2011 |
| Vanguard Group, Inc | Vanguard Dividend Growth Fund (VDIGX) | Mutual fund | since 02/2012 |
| Northern Trust Investments, N.A. | NTGI-QM Collective Daily S&P 500 Equity Index Fund | Commingled fund | since 07/2006 |
| **International Equity Managers** | | | |
| Vontobel Asset Management, Inc. | Vontobel Global Emerging Markets Fund | Commingled fund | Since 02/2014 |
| Dimensional Fund Advisors LP | World ex U.S. Value Portfolio (DFWVX ) | Institutional mutual fund | since 02/2008 |
| Harding Loevner Funds, Inc. | International Equity Portfolio (HLMIX) | Institutional mutual fund | since 08/2011 |
| **Fixed Income Managers** | | | |
| Babson Capital Management LLC | Senior Secured Loans | Commingled fund | Since 08/2013 |
| Denver Investment Advisors, LLC | U.S. Fixed income - Core | Separately managed account | hired before 1978 |
| Pacific Investment Management Company LLC | PIMCO Total Return Institutional Fund (PTTRX) | Institutional mutual fund | since 06/2009 |
| **Private Equity** | | | |
| Aberdeen Asset Management Inc. | Aberdeen VI, LP - Buyout fund-of-funds | Commingled fund | Since 08/2015 |
| Horsley Bridge Venture | Venture capital fund-of-funds | Commingled fund | Since 07/2015 |
| **Real Estate Managers** | | | |
| JP Morgan Investment Management, Inc. | Strategic Property Fund | Commingled fund | since 11/2005 |
| RREEF America REIT II | RREEF America | Commingled fund | Since 08/2014 |
| Harbert Management Corporation | Harbert United States Real Estate Fund V, LP | Commingled fund | Since 07/2014 |
| Prudential Real Estate Investors | PRISA | Commingled fund | since 03/2006 |
| UBS Realty Investors, LLC | Trumbull Property Fund | Commingled fund | since 05/1998 |
| **Hedge Fund-of-Funds** | | | |
| BlackRock Alternative Advisors | BlackRock Appreciation IV | Commingled fund | since 03/2012 |
| Visium Asset Management | Visium Global Offshore Fund, Ltd | Commingled fund | since 12/2015 |
| **Cash and Equivalent** | | | |
| Northern Trust Investments, N.A. | The Northern Trust Collective Government STIF | Commingled fund | since 1988 |
| **Managers terminated during 2015** | | | |
| GAM Fund Management Limited | GAM US Institutional Trading II | Commingled fund | Terminated 08/2015 |

[1] Formerly Fiduciary Asset Management Company, LLC
[2] Formerly Pyramis

Fees paid to investment managers are included in the Investment Section on page III-100.

## Schedule of Investment Results

The investment returns for the Employees' Retirement Plan are calculated by the Plan's custodian, The Northern Trust Company. Northern Trust calculates time-weighted performance statistics based on the company's accounting system's data using the BAI iterative methodology (CFA Institute accepted). Northern Trust evaluates the Plan's performance in relation to market indices, appropriate manager peer groups and other public funds of similar size. Returns are reported gross of fees, except for institutional mutual funds.

| | Rates of return (%) | | |
|---|---|---|---|
| | | Annualized | |
| | 1-year | 3-year | 5-year |
| **Denver Board of Water** | **1.08** | **7.68** | **6.96** |
| *Denver Target Index[1]* | *1.10* | *6.79* | *6.26* |
| *Median TUCS Public Funds (<$500 Million)* | *0.64* | *8.02* | *7.38* |
| Total Equity | *-2.60* | *9.58* | *7.44* |
| *MSCI ACWI ND[2]* | *-2.36* | *7.69* | *6.09* |
| Total Fixed Income | 0.50 | 0.87 | 3.43 |
| *Fixed Income Benchmark[3]* | *0.55* | *1.44* | *3.25* |
| Real Estate | 15.50 | 13.27 | 13.18 |
| *Real Estate Benchmark[4]* | *15.02* | *13.81* | *13.66* |
| Hedge Fund-of-Funds | 0.78 | 3.28 | - |
| *HFR Fund of Funds Composite* | *-0.26* | *3.95* | - |
| Cash | 0.02 | 0.01 | 0.02 |
| *90 Day T-Bill* | *0.06* | *0.05* | *0.06* |

*Source: Northern Trust*

| | Rates of return (%) | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| **Denver Board of Water** | ***1.08*** | **6.72** | ***15.74*** | ***12.68*** | ***-0.52*** |
| *Denver Target Index[1]* | *1.10* | *5.36* | *14.32* | *11.84* | *-0.53* |
| *Median TUCS Public Funds (<$500 Million)* | *0.64* | *6.72* | *18.27* | *12.30* | *0.62* |
| Total Equity | -2.60 | *7.59* | 25.56 | 16.31 | -6.45 |
| *MSCI ACWI ND[2]* | -2.36 | *4.16* | 22.80 | 16.13 | -7.35 |
| Total Fixed Income | 0.50 | 3.71 | -1.53 | 7.91 | 6.86 |
| *Fixed Income Benchmark[3]* | *0.55* | *5.97* | *-2.02* | *4.21* | *7.84* |
| Real Estate | 15.50 | 10.84 | 13.50 | 11.76 | 14.36 |
| *Real Estate Benchmark[4]* | *15.02* | *12.50* | *13.94* | *10.94* | *15.98* |
| Hedge Fund-of-Funds | 0.78 | 4.41 | 4.68 | - | - |
| *HFR Fund of Funds Composite* | *-0.26* | *3.37* | *8.96* | - | - |
| Cash | 0.02 | 0.01 | 0.01 | 0.03 | 0.02 |
| *90 Day T-Bill* | *0.06* | *0.03* | *0.06* | *0.09* | *0.07* |

*Source: Northern Trust*

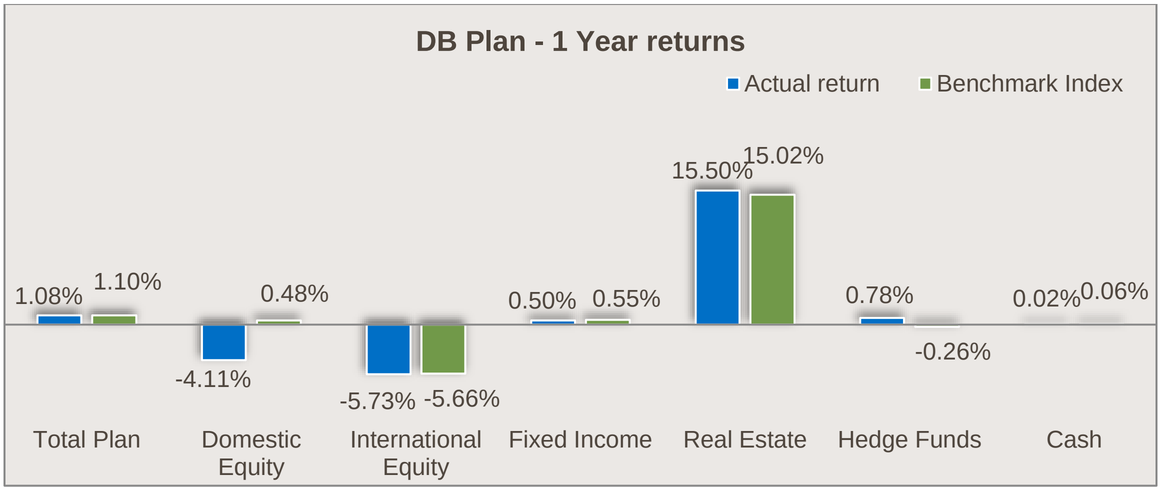
*[1] Denver Target Index is a combination of current segment benchmark indices, weighted at the target asset allocations.*

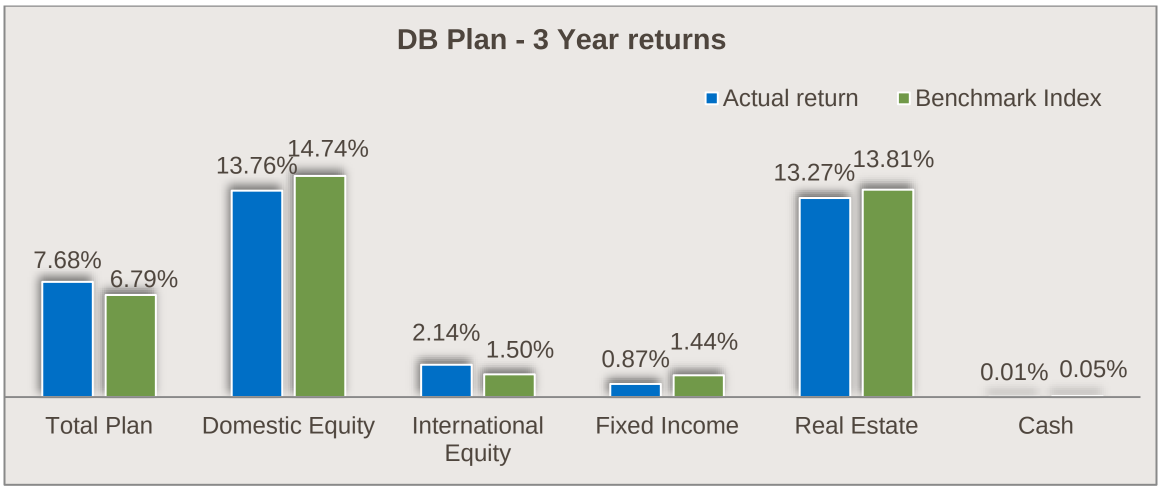
*[2] Benchmark for equities replaces separate benchmarks for domestic and international equities for all periods beginning November 1, 2009 to better reflect the impact of tactical changes to asset allocation on portfolio performance.*

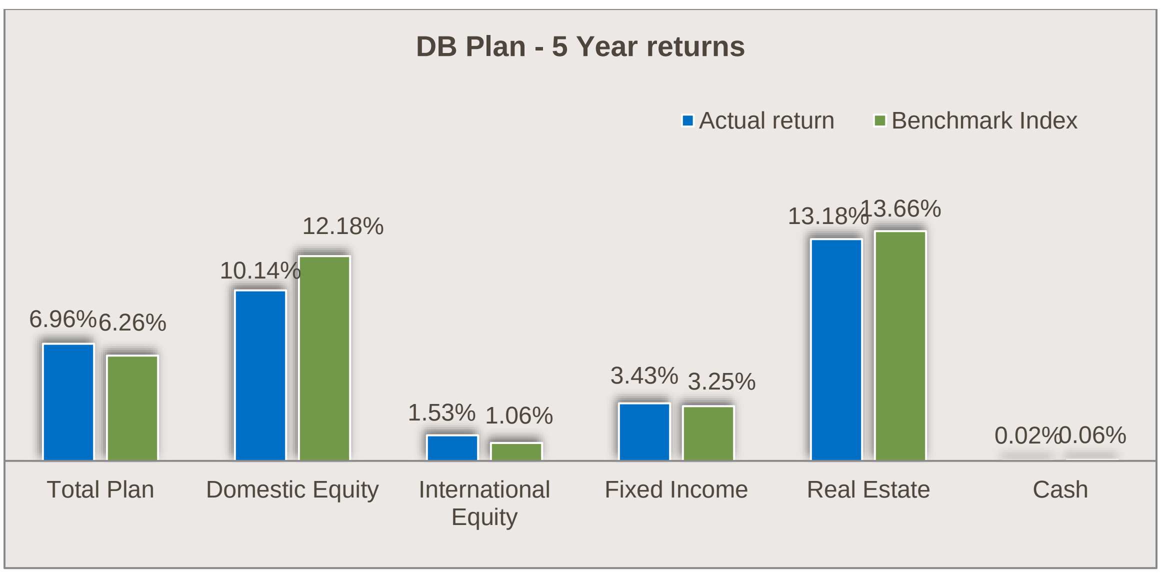
*[3] Fixed Income Benchmark is a custom blend BC US Agg Govt/Credit index performance from inception until 10/30/2009. From 10/30/2009 forward, BC Aggregate Bond Index is used.*

*[4] Real Estate Benchmark is a custom blend of NCREIF NPI Index performance from inception until 06/30/2008. From 10/30/2009 forward, NFI ODCE Gross of Fee Index is used.*

Current benchmark indices for all asset classes and individual managers are outlined in the Operating Procedure for the DB Plan.


DB Plan - 1 Year returns
Actual return
Benchmark Index
1.08%
1.10%
-4.11%
0.48%
-5.73%
-5.66%
0.50%
0.55%
15.50%
15.02%
0.78%
-0.26%
0.02%
0.06%
Total Plan
Domestic Equity
International Equity
Fixed Income
Real Estate
Hedge Funds
Cash


DB Plan - 3 Year returns
Actual return
Benchmark Index
7.68%
6.79%
13.76%
14.74%
2.14%
1.50%
0.87%
1.44%
13.27%
13.81%
0.01%
0.05%
Total Plan
Domestic Equity
International Equity
Fixed Income
Real Estate
Cash


DB Plan - 5 Year returns
Actual return
Benchmark Index
6.96%
6.26%
10.14%
12.18%
1.53%
1.06%
3.43%
3.25%
13.18%
13.66%
0.02%
0.06%
Total Plan
Domestic Equity
International Equity
Fixed Income
Real Estate
Cash

## Asset Allocation

| | Market Value As of 12/31/2015 | % of Portfolio | Long Term Asset Allocation Ranges[4] | Target Allocation[5] |
|---|---|---|---|---|
| **Equities** | **162,210,444** | **54.3%** | **35-70%** | **57.5%** |
| Domestic Equity | 53,409,171 | 17.8% | | 37.5% |
| *Advisory Research MLP[1]* | *10,138,345* | *3.4%* | | *5.0%* |
| *Winslow Large Cap Growth* | *14,666,235* | *4.9%* | | *5.0%* |
| *Fidelity SMID* | *14,062,824* | *4.7%* | | *5.0%* |
| *Vanguard Dividend Growth* | *14,541,767* | *4.9%* | | *5.0%* |
| *NTGI S&P 500* | *50,956,692* | *17.1%* | | *17.5%* |
| International Equity | 57,844,581 | 19.4% | | 20.0% |
| *Vontobel Global Emerging Markets Fund* | *8,731,914* | *2.9%* | | *3.0%* |
| *Harding Loevner International Equity Portfolio* | *25,281,429* | *8.5%* | | *8.5%* |
| *DFA World ex US Value Fund* | *23,831,238* | *7.9%* | | *8.5%* |
| **Fixed Income** | **44,678,783** | **14.9** | **10-50%** | **15.0%** |
| *Babson Capital Floating Rate Income Fund* | *14,606,476* | *4.9%* | | *5.0%* |
| *Denver Inv Advisors* | *15,465,604* | *5.2%* | | *5.0%* |
| *PIMCO Total Return Fund* | *14,606,703* | *4.8%* | | *5.0%* |
| **Alternatives** | **89,034,604** | **29.8%** | **10-40%** | **27.5%** |
| Private Equity [6] | 913,966 | 0.3% | | - |
| Aberdeen | 767,178 | 0.2% | | - |
| Horsley Bridge | 146,788 | 0.1% | | - |
| Real Estate | 57,889,003 | 19.4% | | 17.5% |
| *JP Morgan SPF* | *9,364,691* | *3.1%* | | *3.0%* |
| *RREEF America REIT II* | *16,582,677* | *5.5%* | | *5.0* |
| *Harbert United States Real Estate Fund V, LP* | *11,783,580* | *3.9%* | | *3.5%* |
| *Prudential PRISA I* | *9,498,798* | *3.2%* | | *3.0%* |
| *UBS TPF* | *10,659,256* | *3.5%* | | *3.0%* |
| Hedge Funds | 30,231,635 | 10.1% | | 10.0% |
| *BlackRock Alternative Advisors* | *25,149,690* | *8.4%* | | *5.0%* |
| *Visium Global FD LP* | *5,081,945* | *1.6%* | | *5.0%* |
| Cash[2] | *2,811,588* | *1.0%* | *N/A* | -- |
| **Total Portfolio[2]** | **298,735,419** | **100.0%** | | **100.0%** |

*Source: Northern Trust; data as of 12/31/2015*

*[1] While the IPS does not quantify an allocation to cash, the Operating Procedure for the DB Plan sets the current target level for cash and cash equivalents at the amount equal to two months of pension payments, or approximately $3 million.*
*[2] The total market value of the assets in the DB Plan reported by Northern Trust is higher than the net position restricted for pension reported in the Statement of Fiduciary Net Position due to certain accrued administrative and investment expenses not reported by the custodian until paid.*
*[3]Long Term Asset Allocation ranges are approved by the Board and outlined in the IPS.*
*[4]The Board charged the Director of Finance with developing and implementing 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 outlined in the IPS. These target allocation weights are contained in the Operating Procedure.*

At December 31, 2015, all asset classes were within their stipulated operational ranges.

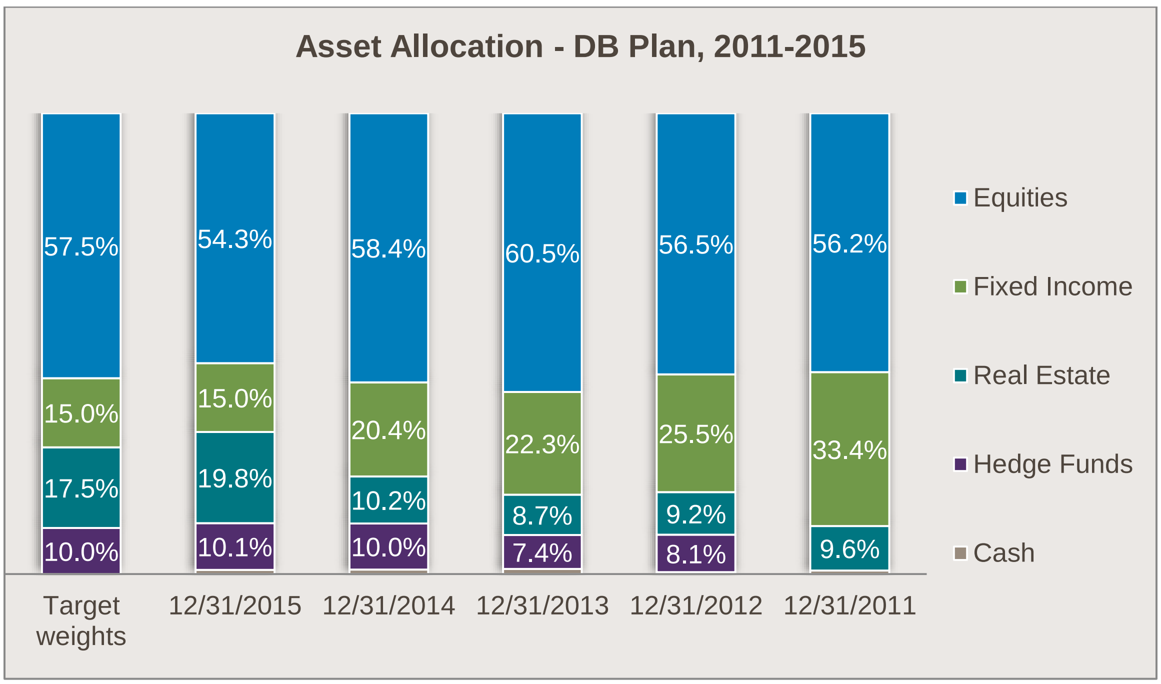
## Employees' Retirement Plan – Asset Allocation by Asset Class, 2010-2014

| | Market Value As of 12/31/2015 | Market Value As of 12/31/2014 | Market Value As of 12/31/2013 | Market Value As of 12/31/2012 | Market Value As of 12/31/2011 |
|---|---|---|---|---|---|
| Equities | 162,210,444 | 176,667,335 | 175,532,590 | 143,515,420 | 128,307,471 |
| Fixed Income | 44,678,783 | 61,861,038 | 64,742,492 | 64,814,045 | 76,350,840 |
| Private Equity | 913,966 | - | - | - | - |
| Real Estate | 57,889,003 | 30,920,643 | 25,193,029 | 23,263,259 | 21,893,682 |
| Hedge Funds | 30,231,635 | 30,131,618 | 21,450,588 | 20,460,760 | - |
| Cash[1] | 2,811,588 | 2,955,296 | 3,086,411 | 1,057,949 | 1,796,973 |
| **Total Portfolio[2]** | **298,735,419** | **302,535,931** | **290,005,110** | **253,910,487** | **228,348,965** |

*Source: Northern Trust*

*[1] Cash in this schedule differs from the amount reported in the financial statement due to classification differences. The amount of cash and money market mutual funds held within an individual investment portfolio (e.g. equity, fixed income) is reported in the portfolio classification in this schedule, but reported as Cash in the financial statements.*

*[2] The total market value of the assets in the DB Plan reported by Northern Trust is higher than the net asset value reported in the Statement of Plan Net Assets due to certain accrued administrative and investment expenses not reported by the custodian until paid.*




*Percentages may not add to 100% due to rounding*

## Investment Summary

### Employees' Retirement Plan – Portfolio by Asset Type as of 12/31/2015

| | Cost | Market Value | Accrued Income/ Expense | Market Value including accruals | % of Total |
|---|---|---|---|---|---|
| **Equities** | **133,268,765** | **161,907,703** | **10,603** | **161,918,306** | **54%** |
| Common stock | 34,389,632 | 33,135,424 | 9,129 | 33,144,553 | 11% |
| Common stock- funds | 98,781,683 | 128,673,950 | - | 128,673,950 | 43% |
| Preferred stock | 97,450 | 98,329 | 1,474 | 99,803 | 0% |
| **Fixed income** | **44,471,103** | **44,148,456** | **190,686** | **44,339,142** | **15%** |
| Government Bonds | 3,728,431 | 3,785,555 | 20,280 | 3,805,835 | 1% |
| Municipal/Provincial Bonds | 1,015,039 | 997,851 | 18,686 | 1,016,537 | 0% |
| Corporate Bonds | 9,045,709 | 8,735,331 | 101,814 | 8,837,145 | 3% |
| Government Mortgage Backed Securities | 579,334 | 577,472 | 1,847 | 579,319 | 0 |
| Asset Backed Securities | 799,234 | 797,731 | 778 | 798,509 | 0% |
| Non-Government Backed C.M.O.s | 313,653 | 311,337 | 981 | 312,318 | 0% |
| Other fixed income | 15,500,000 | 14,606,476 | - | 14,606,476 | 5% |
| Other fixed income-funds | 15,489,704 | 14,606,703 | 46,300 | 14,653,003 | 5% |
| **Real Estate** | **51,487,589** | **51,487,090** | **223,414** | **51,710,504** | **17%** |
| **Venture Capital and Partnerships** | 934,560 | 913,966 | - | 913,966 | 0% |
| **Hedge Fund** | 28,200,000 | 30,231,635 | - | 30,231,635 | 10% |
| Hedge Funds of Funds | 23,200,000 | 25,149,690 | - | 25,149,690 | 8% |
| Hedge Equity | 5,000,000 | 5,081,945 | - | 5,081,945 | 2% |
| **Cash and Cash Equivalents** | **3,272,351** | **3,272,351** | **-18,314** | **3,254,037** | **1%** |
| Funds-short term investment | 3,272,351 | 3,272,351 | 214 | 3,272,565 | 1% |
| Currency | - | - | -18,528 | -18,528 | 0% |
| **Adjustments to Cash** | **-78,838** | **-78,838** | **-** | **-78,383** | **0%** |
| Pending trade - purchases | 224,410 | 224,410 | - | 224,410 | 0% |
| Pending trade - sales | 241,455 | 241,455 | - | 241,455 | 0% |
| Other Payables | -95,883 | -95,883 | - | -95,883 | 0% |
| **Total** | **263,555,032** | **298,330,863** | **404,555** | **298,735,418** | **100%** |

*Source: Northern Trust*

*Totals may not add up due to rounding.*

*The total market value of the assets in the DB Plan reported by Northern Trust is higher than the net position restricted for pension reported in the Statement of Fiduciary Net Position due to certain accrued administrative and investment expenses not reported by the custodian until paid.*

## List of Largest Holdings by Asset Type

The lists of largest equity and fixed income holdings do not include mutual fund holdings and commingled funds.

### Employees' Retirement Plan - Top 10 Equity Holdings (by Market Value) as of 12/31/2015

| Security Description | CUSIP | Country | Market Value* | % of Total equities* | % of Total portfolio value* |
|---|---|---|---|---|---|
| Amazon Inc | 23135106 | United States | 723,202 | 0.4% | 0.2% |
| VISA Inc | 92826C839 | United States | 643,665 | 0.4% | 0.2% |
| Facebook Inc | 30303M102 | United States | 533,766 | 0.3% | 0.2% |
| Apple Inc | 37833100 | United States | 463,986 | 0.3% | 0.2% |
| Plains GP | 72651A108 | United States | 440,039 | 0.3% | 0.1% |
| Celgene Corp | 151020104 | United States | 397,603 | 0.2% | 0.1% |
| NIKE Inc | 654106103 | United States | 391,250 | 0.2% | 0.1% |
| Alphabet Inc CL C | 02079K107 | United States | 379,440 | 0.2% | 0.1% |
| Alphabet Inc CL A | 02079K305 | United States | 377,335 | 0.2% | 0.1% |
| Adobe SYS Inc | 00724F101 | United States | 371,063 | 0.2% | 0.1% |
| **Total top 10 Equities** | | | **4,721,350** | **4.9%** | **1.6%** |
| **Total value of equities*** | | | **161,907,703** | **100.0%** | **56.3%** |
| **Total value of portfolio*** | | | **298,330,863** | **N/A** | **100.0%** |

*Source: Northern Trust*

**Market value excluding accruals*

*Totals may not add up due to rounding.*

The complete schedule of holdings at year-end is available upon request.

## Employees' Retirement Plan - Top 10 Fixed Income Holdings (by Market Value) as of 12/31/2015

| Security Description | CUSIP | Country | Cost | Market Value* | % of Total Fixed income* | % of Total portfolio value* |
|---|---|---|---|---|---|---|
| Treasury Bond 4.5% 02-15-2036 | 912810FT0 | United States | 621,730 | 621,558 | 1.4% | 0.2% |
| Treasury Bond 2.625% 4-30-2016 | 912828KR0 | United States | 627,703 | 609,254 | 1.4% | 0.2% |
| Treasury Bond 2.875% 05-15-2043 | 912820RB6 | United States | 496,662 | 555,750 | 1.3% | 0.2% |
| Treasury Bond 2.125% 05-15-2025 | 912828XB1 | United States | 470,485 | 468,803 | 1.1% | 0.2% |
| Treasury Bond 3.00% 05-15-2042 | 912810QW1 | United States | 303,069 | 327,006 | 0.7% | 0.1% |
| Treasury Note 1.50% 08-31-2018 | 912828RE2 | United States | 302,930 | 301,992 | 0.7% | 0.1% |
| Toyota Auto 1.12% 02-15-2019 | 89236WAC2 | United States | 299,955 | 299,197 | 0.7% | 0.1% |
| Harley-Davidson 1.41% 06-15-2020 | 41284BAD8 | United States | 299,969 | 298,865 | 0.7% | 0.1% |
| Treasury Note 1.0% 08-31-2016 | 912828RF9 | United States | 241,956 | 240,487 | 0.5% | 0.1% |
| COMWLTH Edison Co 5.95% 08-15-2016 | 202795HN3 | United States | 243,956 | 231,174 | 0.5% | 0.1% |
| **Total top 10 Bond holdings** | | | | **3,954,086** | **9.0%** | **1.3%** |
| **Total value of fixed income*** | | | | **44,148,456** | **100.0%** | **14.8%** |
| **Total value of portfolio*** | | | | **298,330,863** | **N/A** | **100.0%** |

*Source: Northern Trust*

**Market value excluding accruals*

*Totals may not add up due to rounding.*

The complete schedule of holdings at year-end is available upon request.

## Schedule of Fees and Commissions

### Employees' Retirement Plan - Schedule of Fees, 2015

| Manager | Assets as of 12/31/2015 | Assets as of 12/31/2014 | Fees | Annual Management Fee |
|---|---|---|---|---|
| Aberdeen Asset Management Inc. | 767,178 | - | 61,714 | 0.75% on committed Capital |
| Advisory Research, Inc. | 10,138,345 | 15,776,757 | 97,449 | 0.75% |
| Babson Capital Management LLC | 14,606,476 | 15,091,637 | 71,506 | 0.475% |
| BlackRock Alternative Investors | 25,149,690 | 15,008,076 | 201,555 | 1.25% |
| Denver Investment Advisors, LLC | 15,465,604 | 28,152,137 | 63,407 | 1st $25 mil – 0.30%; above – 0.25% |
| Dimensional Fund Advisors LP | 23,831,238 | 20,983,095 | 135,404 | 0.60% |
| Fidelity Institutional Asset Management | 14,062,824 | 15,843,399 | 103,605 | 0.65% |
| GAM Fund Management Limited | - | 15,123,543 | 154,394 | 1.20%-This includes a 30bps annual rebate |
| Harbert Management Corporation | 11,783,580 | 3,923,602 | 220,500 | 1.5% management fee on committed capital during acquisition period; thereafter, annual 1.5% management fee applied only to unreturned, contributed capital |
| Harding Loevner Funds, Inc. | 25,281,429 | 20,806,908 | 189,567 | 0.87% |
| Horsley Bridge Venture | 146,788 | - | 18,000 | 1.00% On committed capital |
| JP Morgan Investment Management, Inc. | 9,364,691 | 8,532,818 | 89,503 | 1% of NAV+0.15% on cash balances above 7.5% |
| Northern Trust Investments, N. A.- S&P 500 | 50,956,692 | 55,382,540 | 26,609 | 0.05% |
| Pacific Investment Management Company, LLC – Total Return Fund | 14,606,703 | 18,617,264 | 75,233 | 0.46% |
| Prudential Real Estate Investors | 9,498,798 | 8,649,904 | 84,499 | 1st $10 mil – 0.75% of Cost Basis + performance fee of 6.00%* Operating Cash Flow +0.10%* cash holdings (max 1.20%) |

| Manager | Assets as of 12/31/2015 | Assets as of 12/31/2014 | Fees | Annual Management Fee |
|---|---|---|---|---|
| RREEF America LLC | 16,582,677 | - | 90,868 | 0.95% |
| UBS Realty Investors, LLC | 10,659,256 | 9,814,320 | 122,936 | 1st $10 mil – 0.95%*NAV + 0.20% on cash above 7.5% of NAV + incentive fee of 0.075% for each 1% of outperformance above CPI+5% |
| Vanguard Group, Inc | 14,541,767 | 16,484,528 | 47,894 | 0.31% |
| Visium Asset Management | 5,081,945 | - | 8,494[3] | 2.00% |
| Vontobel Asset Management, Inc. | 8,731,914 | 9,551,593 | 81,624 | 0.60% |
| Winslow Capital Management, LLC | 14,666,235 | 21,838,515 | 116,398 | 0.95% |
| **Total Assets[1]** | **298,735,419** | **302,535,931** | | |
| **Total payments to investment managers** | | | **2,061,159** | |
| Investment Consulting Expense | | | 78,204 | N/A |
| Investment Performance Reporting Expense[2] | | | 129,456 | N/A |
| **Total Investment Expenses** | | | **2,268,817** | |
| **Investment Expenses as a percentage of average assets** | | | **0.75%** | |
| Actuarial Services | | | 24,200 | N/A |
| Benefit Payment Processing | | | 129,450 | N/A |
| Audit Services | | | 20,000 | N/A |
| **Total Administrative Expenses** | | | **173,650** | |
| **Total Expenses as a percentage of average assets** | | | **0.82%** | |

*Source: Denver Water*

[1]*Includes cash account. The total market value of the assets in the DB Plan reported by Northern Trust is* higher *than the net asset value reported in the Statement of Plan Net Assets* due to certain accrued administrative and investment expenses not reported by the custodian until paid.

[2]*Includes custody fees.*

[3]*Visium was not funded until December 1, 2015 and fees were lower as a result*

## Employees' Retirement Plan - Schedule of Broker Commissions by Broker, 2015

| Broker | Total Shares | Net Base Amount ($) | Commission ($) | Per Share[1] | % Cost of Trade |
|---|---|---|---|---|---|
| Unassigned Broker | 32,507,774 | 85,752,755 | 0 | 0.00 | 0.000% |
| Bank of Nova Scotia | 225,000 | 241,242 | 0 | 0.00 | 0.000% |
| Barclays Capital Fixed Inc | 350,000 | 429,621 | 0 | 0.00 | 0.000% |
| Barclays Inc. CCC | 175,000 | 175,000 | 0 | 0.00 | 0.000% |
| Barclays Capital LE | 47,603 | 3,012,917 | 1,116 | 0,02 | 0.037% |
| Baypoint Trading LLC | 29,649 | 1,040,746 | 637 | 0.02 | 0.061% |
| BB&T Securities | 225,000 | 267,365 | 0 | 0.00 | 0.000% |
| Bernstein, Sanford C. & Co | 7,640 | 657,054 | 229 | 0.03 | 0.035% |
| Blair, William & Co | 75,000 | 81,596 | 0 | 0.00 | 0.000% |
| Bloomberg Tradebook LLC | 59 | 961 | 1.18 | 0.02 | 0.123% |
| BNP Paribas Securities Bond | 440,000 | 451,540 | 0 | 0.00 | 0.000% |
| BNY Capital Markets 443 | 125,000 | 153,940 | 0 | 0.00 | 0.000% |
| BNY ESI Securities Co. | 4,560 | 144,421 | 91.20 | 0.02 | 0.063% |
| Brean Capital LLC | 61,703 | 66,389 | 0 | 0.00 | 0.000% |
| Brownstone Investment Group LLC | 50,000 | 52,231 | 0 | 0.00 | 0.000% |
| Clayton securities USA Inc. | 25,000 | 24,687 | 0 | 0.00 | 0.000% |
| Cantor Fitzgerald & Co 7311 | 75,000 | 95,418 | 0 | 0.00 | 0.000% |
| Castleoak Securities Inc. | 100,000 | 106,148 | 0 | 0.00 | 0.000% |
| Chase Securities Inc (CSI) | 1,600,000 | 1,699,975 | 0 | 0.00 | 0.000% |
| Citigroup Global Markets Inc/Salomon B | 1,640,000 | 1,819,528 | 0 | 0.00 | 0.000% |
| Citigroup Global Markets Inc/Smith Barn | 113,166 | 1,368,886 | 456 | 0.00 | 0.000% |
| CL King & Associates | 150,000 | 168,636 | 0 | 0.00 | 0.000% |
| Cowen LLC | 10,400 | 362,2325 | 312 | 0.03 | 0.086% |
| Credit Suisse First Boston Corporation | 154,630 | 4,276,714 | 1,639 | 0.01 | 0.038% |
| CRT Capital Group LLC | 1,025,000 | 1,058,223 | 0 | 0.00 | 0.000% |
| Db Alex Brown | 6,465,000 | 6,711,492 | 0 | 0.00 | 0.000% |
| Deutsche Bank Securities Inc | 37,330 | 770,632 | 349 | 0.01 | 0.045% |
| Goldman Sachs & Company | 444,140 | 1,861,591 | 529 | 0.00 | 0.028% |
| Investment Technology Group Inc | 4,095 | 248,703 | 123 | 0.03 | 0.049% |
| J.P. Morgan Securities Llc 57079 | 20,104 | 1,380,920 | 603 | 0.03 | 0.044% |
| Jefferies & Co Bonds Direct Division | 375,000 | 410,811 | 0 | 0.00 | 0.000% |
| Jefferies & Company | 418,630 | 5,173,316 | 1,644 | 0.00 | 0.032% |
| Jonestrading Inst Serv | 15,435 | 742,449 | 309 | 0.02 | 0.042% |
| Keybanc Capital Markets Inc | 300,000 | 309,513 | 0 | 0.00 | 0.000% |
| Liquidnet Inc | 68,102 | 3,472,405 | 1,362 | 0.02 | 0.039% |
| Merrill Lynch Pierce Fenner & Smith | 7,231 | 260,899 | 205 | 0.03 | 0.078% |
| Merrill Professional Clearing Corp. | 50,000 | 75,699 | 0 | 0.00 | 0.000% |
| Millennium Advisors LC | 965,000 | 1,096,221 | 0 | 0.00 | 0.000% |
| Mitsubishi UFI Securities USA | 610,000 | 654,976 | 0 | 0.00 | 0.000% |
| MLPFS inc/Fixed Income | 8,385,000 | 9,049,090 | 0 | 0.00 | 0.000% |
| Morgan Stanley & Co Inc. New York | 1,120,252 | 3,608,858 | 1,230 | 0.00 | 0.034% |

| Broker | Total Shares | Net Base Amount ($) | Commission ($) | Per Share[1] | % Cost of Trade |
|---|---|---|---|---|---|
| National Financial Services | 300 | 18,949 | 1 | 0.00 | 0.004% |
| Nomura Securities Intl Fixed | 270,000 | 313,039 | 0 | 0.00 | 0.000% |
| Pershing LLC | 25,000 | 22,942 | 0 | 0.00 | 0.000% |
| Pierpont Securities LLC | 25,000 | 25,108 | 0 | 0.00 | 0.000% |
| Piper Jaffray Inc | 90,917 | 7,780,670 | 2727 | 0.03 | 0.035% |
| Raymond James | 9,360 | 754,166 | 281 | 0.03 | 0.037% |
| Raymond James/Fi | 895,000 | 1,049,874 | 0 | 0.00 | 0.000% |
| RBS Dain Rauscher | 68,629 | 1,094,835 | 559 | 0.01 | 0.051% |
| RBS Securities Inc | 6,360,000 | 6,720,074 | 0 | 0.00 | 0.000% |
| Scotia Mcleod Inc | 50,000 | 49,748 | 0 | 0.00 | 0.000% |
| Seaport Group Securities LLC | 100,000 | 116,943 | 0 | 0.00 | 0.000% |
| Southwest Securities Inc | 125,000 | 133,918 | 0 | 0.00 | 0.000% |
| Stephens Inc | 69,137 | 78,211 | 0.00 | 0.00 | 0.000% |
| Stern Agee and Leach Inc | 325,000 | 346,548 | 0 | 0.00 | 0.000% |
| Stifel Nicolaus and Compan | 51,800 | 145,227 | 54 | 0.00 | 0.037% |
| Sumridge Partners LLC | 150,000 | 169,642 | 0 | 0.00 | 0.000% |
| Suntrust Capital/BNY | 125,000 | 138,353 | 0 | 0.00 | 0.000% |
| Toronto Dominion | 275,000 | 279,738 | 0 | 0.00 | 0.000% |
| UBS Warburg LLC | 45,761 | 3,779,310 | 1,373 | 0.03 | 0.036% |
| US Bancorp Investments Inc | 50,000 | 54,557 | 0 | 0.00 | 0.000% |
| wells Fargo Securities LLC | 2,169,683 | 2,604,300 | 290 | 0.00 | 0.011% |

*Source: Northern Trust*

*[1] The table lists all transactions and commissions recorded by Northern Trust. It does not include commissions paid by mutual funds and commingled funds or spread on any fixed income transactions. Transactions for which a broker was not specified (including sales and purchases of shares of mutual funds and commingled funds) are grouped under "Unassigned Broker".*

The Trustees of the Employees' Retirement Plan have determined that because neither they nor staff are to be involved in the day-to-day investment of the Fund assets, neither they nor staff are in a position to determine with which brokers an investment manager can obtain the best execution of a transaction. For that reason, the Trustees do not direct commissions to any firm.

# A. DENVER WATER 401(K) SUPPLEMENTAL RETIREMENT SAVINGS PLAN/ DENVER WATER 457 DEFERRED COMPENSATION PLAN

## Report on Investment Activity

*This section was prepared by the Denver Water staff*

On December 31, 2015, the market value of assets in the 401(k) Plan totaled $79.3 million, a 2.3% increase in the Plan asset value compared to December 31, 2014. At year-end 2015, the Plan had 1,141 participants, including 937 active participants[1]. Total employee contributions to the 401(k) Plan amounted to $4.5 million in 2015, or an average of $4,760 per year per active participant, while Denver Water's matching contributions totaled $2.0 million (an average of $2,120 per year per active participant)[2]. Nearly 91% of the eligible Denver Water employees participated in the 401(k) Plan at year-end, compared to a 90% participation rate in 2014.[3]

In 2015, employee contributions to the 401(k) Plan amounted to $4.5 million, while Denver Water's matching contributions totaled $2.0 million.

On December 31, 2015, the market value of assets in the 457 Plan totaled $30.8 million, a 4.8% decrease in the Plan asset value compared to December 31, 2014. The Plan had 629 participants, including 473 active participants. During 2015, participant contributions totaled $2.2 million (or an average of $4,620 per year per active participant).[2] Over 35% of the eligible Denver Water employees participated in the 457 Plan at year-end, compared to a 33% participation rate in 2014

Both plans were amended in 2013 to allow employer discretionary contributions to qualifying participants. In 2015, a discretionary Board contribution to 401(K) Plan totaled $27,050 and 457 Plan contribution amounted to $36,000. In general. the qualifying participant's interest in his/her discretionary contributions become fully vested upon

The investment of all contributions in the DC Plans is directed by each participant. Returns vary by participant based upon the timing of contributions and the funds selected by the participant.

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*[1] Total participants are defined as those participants who had cash value at the end of the reporting period. Active participants are defined as those participants who were actively employed and had a balance at the end of the reporting period.*

*[2] In 2013, an eligible employee was able to make a tax-deferred contribution of up to $17,500 to each Defined Contribution Plan in which he or she was a participant. Participants age 50 or older could contribute an additional $5,500 to each plan as catch-up contributions. For more information on limitation on effective deferrals see "401(k) Resource Guide - Plan Participants - Limitation on Elective Deferrals", "IRS Announces Pension Plan Limitations for 2013" IR-2012-77, Oct. 18, 2012, available on www.irs.gov .*

*[3] For more statistical information about Retirement Program, see the Statistical Section of this Report.*

completing seven years of service or upon attaining the age of 65, which differs from vesting schedule for regular employee/employer contributions, which are always fully vested and nonforfeitable.

In 2015, both plans were amended to allow borrowing money from the 457 plan and from both employee and employer contributions to the 401 (k) Plan. In 2015, loans from the 401(K) Plan totaled $1,543,000 and 457 Plan amounted to $159,000.

As noted in the policy statements for both the 401(k) and 457 Plans, the primary objective of the Board is to offer investment options having diverse risk and return expectations so that each participant may construct a portfolio that can be expected to meet his or her individual needs. Investment managers are selected by the Director of Finance, with the assistance of the Retirement Program Committee and the investment consultant for the DC Plans, Cook Street Consulting. As of December 31, 2015, participants in either plan had access to twenty-six (26) investment options representing all major asset classes (of which twelve were Target Retirement Funds focused on various retirement dates). The schedule of investment options available in the DC Plans can be found on page III-108. The investment of both employee contributions and the employer-matching contributions is directed by the participants. Pages III-109 and III-110 contain investment return information on each fund available to participants. Returns vary by participant based upon the timing of contributions and the funds selected by the participant. Most funds in the lineup had rates of return above the median for their peer group over 1-, 3-, and 5-year periods.

Empower Retirement (formerly Great-West Retirement Services) ("Empower") is the custodian/trustee and the administrator for the Denver Water 401(k) and 457 Plans. Until the end of 2015, the total compensation for providing the above services equaled 0.0225% of the total value of assets as of the last day of each calendar quarter, or 0.09% per year. The assessed recordkeeping and communication fee for the preceding quarter was being deducted directly from each participant's account in January, April, July and October. Four funds which continued revenue sharing arrangements with Empower (Frost Total Return Bond Fund, T. Rowe Price Growth Stock Fund, Baron Growth Institutional and Cohen & Steers Institutional Global Realty) were excluded from this fee arrangement. Total revenue sharing from 12(b) (1) fees collected by Empower in 2015 was $30,000 for both plans. Participant wrap fees withdrawn amounted to $78,100. Combined Empower administration fees amounted to approximately $95,800. At year-end, excess balances in unallocated accounts totaling $11,000 were disbursed to participants. 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.

Expense ratios for all funds in the lineup, as well as the revenue sharing amounts received by the Plan administrator, are disclosed to participants in the enrollment package and though the HR page on Inflow. They are disclosed to the general public in the audited financial statements. Current expense ratios, wrap fees and revenue sharing levels are presented in more detail on page III-113.

# Outline of Investment Policies

## Denver Water 401(k) Supplemental Retirement Savings Plan

*Excerpted from the "Investment Policy Statement for Denver Water Supplemental Retirement Savings Plan (401(k) Plan) ["401(k) IPS"], approved by the Board on March 12, 2014*

The purpose of the 401(k) Plan is to enable each Plan participant to accumulate financial assets for retirement. The Board acknowledges that participants may have diverse current and projected needs and objectives. For that reason, the primary objective of the Board is to offer investment options having diverse risk and return expectations so that each participant may construct a portfolio that can be expected to meet his or her individual needs. Within this overall objective, the Board identified the following additional objectives:

- To undertake all transactions solely in the interest of the participants;
- To maintain flexibility in meeting the future needs of participants;
- To enable participants to exercise investment control;
- To allow participants to maximize return within reasonable and prudent levels of risk by selecting from the investment options offered;
- To monitor administration costs to ensure they remain reasonable;
- To arrange for investment education to be available to Participants.

The Board is a fiduciary of the 401(k) Plan. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. As a sponsor of the 401(k) Plan, the Board is responsible for establishing investment policy objectives and guidelines. By resolution dated September 14, 2005 and updated on May 8, 2013, the Board has delegated certain duties related to implementation of the 401(k) IPS to the Director of Finance and the Director of Human Resources. Among the responsibilities delegated to the Director of Finance is the responsibility and authority to determine which investment options will be chosen, and to monitor the continued acceptability of the investment options. It is the policy of the Board to engage experts to assist with these duties.

In the 401(k) IPS, the Board directs the Director of Finance, with the assistance of the Investment Consultant to review long-term performance characteristics of various asset classes and to select broad asset classes for inclusion in the 401(k) Plan which have a long-term return history that is reasonably useful with respect to evaluating its probable future return, its standard deviation, and its correlation with the other selected asset classes. With a focus on balancing the risk and rewards of market behavior, it is the policy of the Board that the investment options made available to participants in the 401(k) Plan be chosen from no fewer than the following asset classes: Domestic Equities, International Equities, Domestic Fixed Income, and Fixed Interest or Stable Value Products. Within each of the broad asset classes, the 401(k) IPS requires that included investment options be diversified with respect to market capitalization, fixed income maturities, and investment style. Investment options that combine various asset classes are also included.

Over a complete market cycle, each investment option's overall annualized total return should perform above the median of portfolios in their Peer Universe. The Director of Finance shall continually monitor and review investment options against this expectation. The Director of Finance has authority to take corrective action by replacing an option if deemed appropriate at any time, on a case-by-case basis.

When evaluating quarterly performance of each investment option, the Director of Finance is directed to focus on:

- Consistency with expected style mandate;
- Material changes in the manager's organization, investment philosophy, and/or personnel;
- Comparisons of the investment option's results to its benchmark;
- The risk associated with each investment option;
- The investment option's performance relative to its Peer Universe.

The Director of Finance is directed to review the 401(k) IPS annually, to consult as necessary with expert advisors, and to suggest updates to the Manager and the Board as necessary.

## Denver Water 457 Deferred Compensation Plan

*Excerpted from the "Investment Policy Statement for the Denver Water 457 Deferred Compensation Plan (the "457 Plan, ["457 IPS"])", approved by the Board on March 12, 2014*

The Board's involvement in the Denver Water 457 Plan is solely to offer employees an opportunity to make voluntary payroll deferrals to the extent permitted by Internal Revenue Code section 457. The Board's objective is to offer employees reasonable choice in the 457 Plan funding products, and to control the administrative burdens and costs of the 457 Plan to Denver Water and its employees.

For these reasons, it is the policy of the Board that:

- The investment options offered in the 457 Plan will be the same as those offered in the 401(k) Plan;
- The same Record keeper will be used for the 457 Plan as for the 401(k) Plan and recordkeeping information;
- Participants will receive a consolidated participant statement for the two Plans, so that participants can see the effect of their investment allocation decisions more comprehensively.
- In order to maintain the 457 Plan as an eligible deferred compensation plan under section 457 of the Internal Revenue Code, assets of the 457 Plan will be held by an independent custodian and the Board will take such other actions as are necessary to maintain the tax deferred status of the 457 Plan;
- In all investment-related matters not specifically addressed in the 457 IPS, the investment policy for the 401(k) Plan shall be followed.

## Schedule of Investment Managers

| Fund | Ticker | Asset class |
|---|---|---|
| **Global Real Estate** | | |
| Cohen & Steers Instl Global Realty | GRSIX | Global Real Estate |
| **International Equity** | | |
| Harbor International Instl | HAINX | Foreign Stock |
| **Domestic Equity** | | |
| Baron Growth Instl | BGRIX | Small Cap Growth |
| American Beacon Small Cp Val Inst[1] | AVFIX | Small Cap Value |
| T. Rowe Price Growth Stock | PRGFX | Large Cap Growth |
| American Funds Washington Mutual R6 | RWMGX | Large Cap Value |
| Domini Social Equity Instl | DIEQX | Large Cap Blend w/ Social Screening |
| Vanguard Mid Cap Index I | VMCIX | Mid Cap Blend |
| Vanguard Institutional Index I | VINIX | Large Cap Blend |
| **Fixed Income** | | |
| PIMCO High Yield Instl | PHIYX | High Yield Bond |
| Vanguard Inflation Protected Securities Admin | VAIPX | High Quality Bond – TIPS |
| Frost Total Return Bond Inst[2] | FIJEX | High Quality Bond |
| **Target Date Retirement Funds** | | |
| Vanguard Target Retirement Income | VTINX | Multiple Asset Classes |
| Vanguard Target Retirement 2010 | VTENX | Multiple Asset Classes |
| Vanguard Target Retirement 2015 | VTXVX | Multiple Asset Classes |
| Vanguard Target Retirement 2020 | VTWNX | Multiple Asset Classes |
| Vanguard Target Retirement 2025 | VTTVX | Multiple Asset Classes |
| Vanguard Target Retirement 2030 | VTHRX | Multiple Asset Classes |
| Vanguard Target Retirement 2035 | VTTHX | Multiple Asset Classes |
| Vanguard Target Retirement 2040 | VFORX | Multiple Asset Classes |
| Vanguard Target Retirement 2045 | VTIVX | Multiple Asset Classes |
| Vanguard Target Retirement 2050 | VFIFX | Multiple Asset Classes |
| Vanguard Target Retirement 2055 | VFFVX | Multiple Asset Classes |
| Vanguard Target Retirement 2060 | VTTSX | Multiple Asset Classes |
| **Cash and Equivalent** | | |
| Dreyfus Cash Management Instl | DICXX | Money Market |
| Galliard Retirement Income | n/a | Stable Value |

*As of December 31, 2015*

## Schedule of Investment Results

The investment returns for the Denver Water 401(k) Supplemental Retirement Savings Plan/ Denver Water 457 Deferred Compensation Plan are provided by the Plans' Investment Consultant, Cook Street Consulting. Cook Street derives the information about returns from Morningstar Principia. Total return is calculated by taking the change in a fund's Net Asset Value (NAV), assuming the reinvestment of all income and capital gains distributions during the period, and then dividing by the initial NAV. Total returns account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets. Cook Street evaluates the Plans' performance in relation to market indices and appropriate manager peer groups. Returns are reported net of fees.

| | | Rates of Return (%) | | |
|---|---|---|---|---|
| **Fund** | **Ticker** | **Current Year** | **3-year** | **5-year** |
| **Global Real Estate** | | | | |
| Cohen & Steers Instl Global Realty | GRSIX | 2.52 | 6.78 | 6.85 |
| *Global Real Estate Peer Group* | | *-0.92* | *4.21* | *6.09* |
| **International Equity** | | | | |
| Harbor International Instl | HAINX | -3.82 | 1.55 | 2.38 |
| *Foreign Large Blend Peer Group* | | *-1.59* | *3.67* | *2.60* |
| *MSCI ACWI EX NR USD Index* | | *-5.66* | *1.50* | *1.06* |
| **Domestic Equity** | | | | |
| Baron Growth Instl | BGRIX | -4.06 | 11.67 | 10.54 |
| *Small Growth Peer Group* | | *-2.41* | *12.20* | *9.40* |
| American Beacon Small Cp Val Inst | AVFIX | -5.04 | 11.67 | 9.26 |
| *Small Value Peer Group* | | *-6.71* | *9.43* | *7.68* |
| T. Rowe Price Growth Stock | PRGFX | 10.85 | 18.86 | 14.61 |
| *Large Growth Peer Group* | | *3.60* | *15.27* | *11.70* |
| American Funds Washington Mutual R6 | RWMGX | 0.12 | 13.90 | 12.35 |
| *Large Value Peer Group* | | *-4.05* | *11.63* | *9.75* |
| Domini Social Equity Instl | DIEQX | -6.97 | 12.41 | 9.94 |
| *Large Blend Peer Group* | | *-1.07* | *13.22* | *10.75* |
| Vanguard Mid Cap Index I | VMCIX | -1.33 | 14.92 | 11.53 |
| *Spliced Mid Cap Index* | | *-1.28* | *14.96* | *11.58* |
| *Mid-Cap Blend Peer Group* | | *-4.75* | *11.44* | *9.08* |
| Vanguard Institutional Index I | VINIX | 1.37 | 15.10 | 12.54 |
| *S&P 500 TR Index* | | *1.38* | *15.13* | *12.57* |
| **Fixed Income** | | | | |
| PIMCO High Yield Instl | PHIYX | -1.85 | 2.36 | 5.02 |
| *High Yield Bond Peer Group* | | *-4.01* | *1.28* | *4.11* |
| Vanguard Inflation Protected Securities Admin | VAIPX | -1.69 | -2.34 | 2.44 |
| *Inflation-Protected Bond Peer Group* | | *-2.36* | *-2.83* | *1.55* |
| Frost Total Return Bond Inst | FIJEX | -0.50 | 2.73 | 4.66 |
| *Intermediate-Term Bond Peer Group* | | *-0.26* | *1.16* | *3.22* |
| **Target Date Retirement Funds** | | | | |
| Vanguard Target Retirement Income | VTINX | *-0.17* | *3.71* | *4.91* |
| *Retirement Income Peer Group* | | *-1.50* | *2.49* | *3.60* |
| Vanguard Target Retirement 2010 | VTENX | *-0.20* | *4.87* | 5.60 |
| *Target Date 2000-2010 Peer Group* | | *-1.18* | *4.03* | *4.68* |
| Vanguard Target Retirement 2015 | VTXVX | *-0.46* | *6.22* | *6.31* |
| *Target Date 2011-2015 Peer Group* | | *-1.34* | *4.35* | *5.04* |

| | | Rates of Return (%) | | |
|---|---|---|---|---|
| **Fund** | **Ticker** | **Current Year** | **3-year** | **5-year** |
| Vanguard Target Retirement 2020 | VTWNX | -0.68 | 7.21 | 6.85 |
| *Target Date 2015-2020 Peer Group* | - | *-1.57* | *4.72* | *5.11* |
| Vanguard Target Retirement 2025 | VTTVX | -0.85 | 7.88 | 7.22 |
| *Target Date 2021-2025 Peer Group* | | *-1.59* | *6.01* | *6.17* |
| Vanguard Target Retirement 2030 | VTHRX | -1.03 | 8.52 | 7.59 |
| *Target Date 2026-2030 Peer Group* | - | *-1.79* | *6.32* | *5.99* |
| Vanguard Target Retirement 2035 | VTTHX | -1.26 | 9.16 | 7.92 |
| *Target Date 2031-2035 Peer Group* | | *-1.76* | *7.42* | *6.92* |
| Vanguard Target Retirement 2040 | VFORX | -1.59 | 9.46 | 8.11 |
| *Target Date 2036-2040 Peer Group* | - | *-1.99* | *7.27* | *6.48* |
| Vanguard Target Retirement 2045 | VTIVX | -1.57 | 9.47 | 8.13 |
| *Target Date 2041-2045 Peer Group* | | *-1.87* | *7.97* | *7.25* |
| Vanguard Target Retirement 2050 | VFIFX | -1.58 | 9.47 | 8.12 |
| *Target Date 2046-2050 Peer Group* | - | *-2.01* | *7.66* | *6.71* |
| Vanguard Target Retirement 2055 | VFFVX | *-1.72* | *9.41* | *8.15* |
| *Target Date 2051-2060 Peer Group* | | *-1.71* | *8.57* | *7.45* |
| Vanguard Target Retirement 2060 | VTTSX | -1.68 | 9.42 | n/a |
| *Target Date 2051-2060 Peer Group* | - | *-1.71* | *8.57* | *n/a* |
| **Cash and Equivalent** | | | | |
| Dreyfus Cash Management Instl | DICXX | 0.05 | 0.04 | 0.06 |
| *Money Market Taxable Peer Group* | - | *0.02* | *0.02* | *0.02* |
| Galliard Retirement Income (gross) | n/a | 1.97 | 2.08 | 2.40 |
| Galliard Retirement Income (net) | n/a | 1.62 | 1.73 | 2.05 |
| *USTREAS T-Bill Auction Ave 3 Mon Index* | | *0.03* | *0.06* | *0.08* |

*Source: Cook Street Consulting*

## Asset Allocation

### Denver Water 401(k) Supplemental Retirement Savings Plan

| Fund | Ticker | Total Assets as of 12/31/2015 | % of the Total Assets | Total Assets as of 12/31/2014 | % of the Total Assets |
|---|---|---|---|---|---|
| **Globa Real Estate** | | | | | |
| Cohen & Steers Instl Global Realty | GRSIX | $378,352 | 0.5% | $308,036 | 0.4% |
| **International Equity** | | | | | |
| Harbor International Instl | HAINX | $4,722,878 | 6.1% | $4,889,331 | 6.3% |
| **Domestic Equity** | | | | | |
| Baron Growth Instl | BGRIX | $1,771,633 | 2.3% | $1,832,115 | 2.4% |
| American Beacon Small Cp Val Inst | AVFIX | $3,005,812 | 3.9% | $3,422,111 | 4.4% |
| T. Rowe Price Growth Stock | PRGFX | $6,515,868 | 8.4% | $5,702,122 | 7.4% |
| American Funds Washington Mutual R6 | RWMGX | $7,193,128 | 9.3% | $8,049,833 | 10.4% |
| Domini Social Equity Fund Inst'l | DIEQX | $509,169 | 0.7% | $819,412 | 1.1% |
| Vanguard Mid Cap Index I | VMCIX | $7,950,599 | 10.2% | $7,914,329 | 10.2% |
| Vanguard Institutional Index I | VINIX | $6,793,312 | 8.7% | $6,114,137 | 7.9% |
| **Fixed Income** | | | | | |
| PIMCO High Yield Instl | PHIYX | $1,417,701 | 1.8% | $1,390,931 | 1.8% |
| Vanguard Inflation Protected Securities Admin | VAIPX | $1,021,991 | 1.3% | $1,116,192 | 1.4% |
| Frost Total Return Bond Inst | FIJEX | $3,402,911 | 4.4% | $4,137,934 | 5.3% |
| **Target Date Retirement Funds** | | | | | |
| Vanguard Target Retirement Income | VTINX | $640,024 | 0.8% | $509,570 | 0.7% |
| Vanguard Target Retirement 2010 | VTENX | $49,137 | 0.1% | $48,271 | 0.1% |
| Vanguard Target Retirement 2015 | VTXVX | $2,515,205 | 3.2% | $2,665,629 | 3.4% |
| Vanguard Target Retirement 2020 | VTWNX | $1,109,799 | 1.4% | $709,330 | 0.9% |
| Vanguard Target Retirement 2025 | VTTVX | $6,959,176 | 8.9% | $6,684,331 | 8.6% |
| Vanguard Target Retirement 2030 | VTHRX | $340,301 | 0.4% | $147,805 | 0.2% |
| Vanguard Target Retirement 2035 | VTTHX | $3,516,266 | 4.5% | $3,456,041 | 4.5% |
| Vanguard Target Retirement 2040 | VFORX | $575,027 | 0.7% | $506,110 | 0.7% |
| Vanguard Target Retirement 2045 | VTIVX | $3,000,076 | 3.9% | $2,851,851 | 3.7% |
| Vanguard Target Retirement 2050 | VFIFX | $56,014 | 0.1% | $34,273 | 0.0% |
| Vanguard Target Retirement 2055 | VFFVX | $440,913 | 0.6% | $438,282 | 0.6% |
| Vanguard Target Retirement 2060 | VTTSX | $401,851 | 0.5% | $292,627 | 0.4% |
| **Cash and Equivalent** | | | | | |
| Dreyfus Cash Management Instl | DICXX | $715,068 | 0.9% | $915,941 | 1.2% |
| Galliard Retirement Income | n/a | $12,785,019 | 16.4% | $12,618,383 | 16.3% |
| **Total** | | **$77,787,230[1]** | **100.0%** | **$77,574,927** | **100.0%** |

*Source: Empower Retirement*

*[1]Total excludes participant loans of $1,541,904*

## Denver Water 457 Deferred Compensation Plan

| Fund | Ticker | Total Assets as of 12/31/2015 | % of the Total Assets | Total Assets as of 12/31/2014 | % of the Total Assets |
|---|---|---|---|---|---|
| **Global Real Estate** | | | | | |
| Cohen & Steers Instl Global Realty | GRSIX | $118,520 | 0.4% | $91,655 | 0.3% |
| **International Equity** | | | | | |
| Harbor International Instl | HAINX | $1,553,957 | 5.1% | $1,512,354 | 4.7% |
| **Domestic Equity** | | | | | |
| Baron Growth Instl | BGRIX | $595,943 | 1.9% | $571,702 | 1.8% |
| American Beacon Small Cp Val Inst | AVFIX | $1,005,041 | 3.3% | $1,196,002 | 3.7% |
| T. Rowe Price Growth Stock | PRGFX | $3,829,241 | 12.5% | $3,628,059 | 11.2% |
| American Funds Washington Mutual R6 | RWMGX | $1,866,332 | 6.1% | $2,234,229 | 6.9% |
| Domini Social Equity Fund Inst'l | DIEQX | $384,087 | 1.3% | $925,449 | 2.9% |
| Vanguard Mid Cap Index I | VMCIX | $1,641,886 | 5.3% | $1,896,345 | 5.9% |
| Vanguard Institutional Index I | VINIX | $2,846,864 | 9.3% | $2,483,475 | 7.7% |
| **Fixed Income** | | | | | |
| PIMCO High Yield Instl | PHIYX | $697,429 | 2.3% | $666,545 | 2.1% |
| Vanguard Inflation Protected Securities Admin | VAIPX | $361,036 | 1.2% | $342,693 | 1.1% |
| Frost Total Return Bond Inst | FIJEX | $1,422,126 | 4.6% | $1,987,198 | 6.2% |
| **Target Date Retirement Funds** | | | | | |
| Vanguard Target Retirement Income | VTINX | $497,178 | 1.6% | $370,831 | 1.1% |
| Vanguard Target Retirement 2010 | VTEVX | $70,462 | 0.2% | $62,935 | 0.2% |
| Vanguard Target Retirement 2015 | VTXVX | $656,795 | 2.1% | $1,081,366 | 3.4% |
| Vanguard Target Retirement 2020 | VTWNX | $233,988 | 0.8% | $185,984 | 0.6% |
| Vanguard Target Retirement 2025 | VTTVX | $1,691,196 | 5.5% | $1,428,095 | 4.4% |
| Vanguard Target Retirement 2030 | VTHRX | $91,562 | 0.3% | $34,545 | 0.1% |
| Vanguard Target Retirement 2035 | VTTHX | $625,044 | 2.0% | $641,910 | 2.0% |
| Vanguard Target Retirement 2040 | VFORX | $103,365 | 0.3% | $73,392 | 0.2% |
| Vanguard Target Retirement 2045 | VTIVX | $758,180 | 2.5% | $747,913 | 2.3% |
| Vanguard Target Retirement 2050 | VFIFX | $2,954 | 0.0% | $3,754 | 0.0% |
| Vanguard Target Retirement 2055 | VFFVX | $73,699 | 0.2% | $93,536 | 0.3% |
| Vanguard Target Retirement 2060 | VTTSX | $215,001 | 0.7% | $207,478 | 0.6% |
| **Cash and Equivalent** | | | | | |
| Dreyfus Cash Management Instl | DICXX | $236,394 | 0.8% | $305,436 | 0.9% |
| Galliard Retirement Income | n/a | $8,982,004 | 29.4% | $9,493,771 | 29.4% |
| **Total** | | **$30,560,284[1]** | **100.0%** | **$32,266,652** | **100.0%** |

*Source: Empower Retirement*

[1] *Total excludes participant loans of $159,400*

## Schedule of Fees and Commissions

### Schedule of fees paid by Plan Participants as of 12/31/2015[1]

| Fund | Ticker | Expense Ratio [2] | Wrap Fess (%)[3] | Revenue sharing – paid to Empower by fund managers (%)[4] | Average Expense Ratio in the Peer Group |
|---|---|---|---|---|---|
| **Global Real Estate** | | | | | |
| Cohen & Steers Instl Global Realty | GRSIX | 1.00 | 0.00 | 0.10 | 1.39 |
| **International Equity** | | | | | |
| Harbor International Instl | HAINX | 0.75 | 0.09 | 0.00 | 1.19 |
| **Domestic Equity** | | | | | |
| Baron Growth | BGRIX | 1.04 | 0.00 | 0.15 | 1.36 |
| American Beacon Small Cap Val Inst | AVFIX | 0.81 | 0.09 | 0.00 | 1.36 |
| T. Rowe Price Growth Stock | PRGFX | 0.68 | 0.00 | 0.15 | 1.19 |
| American Funds Washington Mutual R6 | RWMGX | 0.30 | 0.09 | 0.00 | 1.12 |
| Domini Social Equity Fund Inst'l | DIEQX | 0.80 | 0.09 | 0.00 | 1.08 |
| Vanguard Mid Cap Index Ins | VMCIX | 0.08 | 0.09 | 0.00 | 1.20 |
| Vanguard Institutional Index I | VINIX | 0.04 | 0.09 | 0.00 | 0.80 |
| **Fixed Income** | | | | | |
| PIMCO High Yield Instl | PHIYX | 0.55 | 0.09 | 0.00 | 1.11 |
| Vanguard Inflation Protected Securities Admin | VAIPX | 0.10 | 0.09 | 0.00 | 0.79 |
| Frost Total Return Bond Inst | FIJEX | 0.51 | 0.00 | 0.10 | 0.85 |
| **Target Date Retirement Funds** | | | | | |
| Vanguard Target Retirement Income | VTINX | 0.16 | 0.09 | 0.00 | 0.88 |
| Vanguard Target Retirement 2010 | VTEVX | 0.16 | 0.09 | 0.00 | 0.82 |
| Vanguard Target Retirement 2015 | VTXVX | 0.16 | 0.09 | 0.00 | 0.84 |
| Vanguard Target Retirement 2020 | VTWNX | 0.16 | 0.09 | 0.00 | 0.91 |
| Vanguard Target Retirement 2025 | VTTVX | 0.17 | 0.09 | 0.00 | 0.90 |
| Vanguard Target Retirement 2030 | VTHRX | 0.17 | 0.09 | 0.00 | 0.95 |
| Vanguard Target Retirement 2035 | VTTHX | 0.18 | 0.09 | 0.00 | 0.93 |
| Vanguard Target Retirement 2040 | VFORX | 0.18 | 0.09 | 0.00 | 0.98 |
| Vanguard Target Retirement 2045 | VTIVX | 0.18 | 0.09 | 0.00 | 0.94 |
| Vanguard Target Retirement 2050 | VFIFX | 0.18 | 0.09 | 0.00 | 0.99 |
| Vanguard Target Retirement 2055 | VFFVX | 0.18 | 0.09 | 0.00 | 0.94 |
| Vanguard Target Retirement 2060 | VTTSX | 0.18 | 0.09 | 0.00 | 0.94 |
| **Cash and Equivalent** | | | | | |
| Dreyfus Cash Management Instl | DICXX | 0.21 | 0.09 | 0.00 | 0.54 |
| Galliard Retirement Income | N/A | 0.31 | 0.09 | 0.00 | 0.66 |
| **Weighted average (both plans)** | | **0.36** | **0.08** | **0.01** | |

*Source: Cook Street Consulting*

*[1] The dollar amount of fees paid by the Plans for investment management and administrative services on the funds is not separately disclosed. Revenue sharing arrangements with Great-West are discussed in more detail in the Report on Investment Activity for the DC Plans (pages III-104 to III-105).*

*[2] Expense ratios provided by Cook Street Consulting*

*[3]Effective April 2, 2012, most investment options were converted to the lowest cost share class, which nearly eliminated the revenue sharing used to offset Great-West administration fees. Wrap fees were added to all investment options that do not have revenue sharing. Wrap fees are recorded as administrative expenses in*

*the Plans' financial statements. These fees are deducted directly from each participant's account in April, July, October and January.*

*[4] Revenue sharing fees are recorded as administrative expenses in the Plans' financial statements. These fees are included in a fund expense ratio.*

# IV. Actuarial Section (Unaudited)

# A. ACTUARY'S CERTIFICATION LETTER

*This section is excerpted from the January 1, 2015 Actuarial Valuation Report prepared by Milliman and pertains only to the DB Plan*

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May 29, 2015

Ms. Usha Sharma
Treasurer
Denver Water
1600 West 12th Avenue
Denver, CO 80204

Dear Usha:

As requested, we have performed an actuarial valuation of the Employees' Retirement Plan of the Denver Board of Water Commissioners as of January 1, 2015, for the plan year ending December 31, 2015. Our findings are set forth in this report. This report reflects the benefit provision and contribution rates in effect as of January 1, 2015.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the Plan's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are prescribed by the Board of Trustees. These parties are responsible for selecting the Plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies methods and assumptions used in this valuation are those that have been so prescribed and are described in the Actuarial Basis of this report. Denver Water is solely responsible for communicating to Milliman any changes required thereto.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and has adopted them.

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Ms. Usha Sharma
May 29, 2015
Page 2

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Plan. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Plan's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in Appendix A of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the Employees' Retirement Plan of the Denver Board of Water Commissioners ("Plan"). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The Plan may provide a copy of Milliman's work, in its entirety, to the Plan's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan.

(b) The Plan may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

Joel E. Stewart

Joel E. Stewart, ASA, EA, MAAA
Consulting Actuary
JES:kea

Katie Antoline

Katie Antoline, ASA, MAAA
Associate Actuary

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Milliman

# B. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The actuarial assumptions used in the valuation are intended to estimate future experience affecting projected benefit flow and investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the plan's benefits.

The tables in this section give rates of decrement, referred to in actuarial notation by the general symbol "q'." The underlying theory is described more fully in Jordan, Life Contingencies, Society of Actuaries (Second Edition, 1967), page 277. Any age referred to in a table is always the age of the person at his or her nearest birthday.

**Actuarial Cost Method**

The actuarial cost method we use to calculate the funding requirements of the Plan is called the entry age normal actuarial cost method.

Under this cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called the Normal Cost. The portion of the actuarial present value not provided for at the valuation date by future Normal Costs is called the actuarial accrued liability.

**Actuarial Value of Assets**

The actuarial value of assets is determined by calculating the expected return on the prior year's market value of assets, adjusted for cash flows of contributions and benefit payments for the year, and assuming a 7.25% interest return. The difference between this expected value and the actual return for the plan year is recognized over 3 years. The actuarial value of assets is then the actual market value minus the gains and losses for prior years that are still deferred. The resulting value is limited to between 80% and 120% of the market value of assets.

**Annual Required Contribution (Adopted January 1, 2014)**

The Actuarially Determined Contribution (ADC) is calculated in accordance with the Funding Policy adopted by the Board. The unfunded actuarial accrued liability (UAAL) is amortized as a level dollar amount over a 15-year period using a layered approach beginning January 1, 2014. The UAAL as of January 1, 2014 will be amortized over a 15-year closed period. Future fluctuations in the UAAL due to plan experience different than assumed or changes in actuarial assumptions, methods or plan provisions will be amortized over a 15-year period beginning with the first valuation date following such change. In the event of a surplus (Actuarial Value of Assets greater than the Actuarial Accrued Liability), all prior amortization bases will be eliminated and the surplus will be amortized over a 30-year open period as a level-dollar amount.

**Cost-of-Living Adjustment**

The monthly amount of any Pension provided by the Plan shall be increased or decreased annually of the first day of each January by the change in the U.S. Consumer Price Index (CPI-W) as reported the preceding November. Annual increases may not exceed 5% for members whose severance date occurs prior to September 1, 1995 and 4.4% for members whose severance date occurs after August 31, 1995. The Cost-of-Living Adjustment granted in 2015 was 0.07%.

**Actuarial Assumptions**

Investment return: 7.25% per annum, compounded annually, composed of an assumed 2.75% inflation rate and a 4.50% real rate of return. This rate represents the assumed return, net of all investment expenses.

Salary increase rate: Inflation rate of 2.75%, plus productivity component of 0.50%, plus step-rate/ promotional component as shown

| Sample Attained Age | Percentage Increase in Salary | | | |
|---|---|---|---|---|
| | Merit | Productivity | Inflation | Total |
| 22 | 3.0% | 0.5% | 2.75% | 6.25% |
| 27 | 3.0 | 0.5 | 2.75% | 6.25 |
| 32 | 2.5 | 0.5 | 2.75% | 5.75 |
| 37 | 2.0 | 0.5 | 2.75% | 5.25 |
| 42 | 1.0 | 0.5 | 2.75% | 4.25 |
| 47 | 0.5 | 0.5 | 2.75% | 3.75 |
| 52 | 0.1 | 0.5 | 2.75% | 3.35 |

Expenses: Administrative expenses are assumed to be $120,000 per year.

**Demographic assumptions**

Mortality rates (pre- and post-retirement) – Combined RP-2000 Healthy Mortality Tables projected with scale BB to 2020.

Mortality rates (post-disablement) – Combined RP-2000 Healthy Mortality Tables, set forward three years, and projected with scale BB to 2020.

Sample rates are shown below:

| Sample Attained Age | Probability of Death Pre- and Post- Retirement | |
|---|---|---|
| | Men | Women |
| 20 | 0.03% | 0.02% |
| 25 | 0.04 | 0.02 |
| 30 | 0.04 | 0.02 |
| 35 | 0.07 | 0.04 |
| 40 | 0.10 | 0.07 |
| | | |
| 45 | 0.14 | 0.11 |
| 50 | 0.20 | 0.16 |
| 55 | 0.34 | 0.25 |
| 60 | 0.59 | 0.41 |
| 65 | 1.00 | 0.76 |
| | | |
| 70 | 1.64 | 1.32 |
| 75 | 2.80 | 2.21 |
| 80 | 4.76 | 3.60 |
| 85 | 8.19 | 6.08 |
| 90 | 14.70 | 10.55 |

| Sample Attained Age | Probability of Death Post-Disability | |
|---|---|---|
| | Men | Women |
| 20 | 0.04 | 0.02 |
| 25 | 0.04 | 0.02 |
| 30 | 0.06 | 0.04 |
| 35 | 0.09 | 0.06 |
| 40 | 0.12 | 0.09 |
| | | |
| 45 | 0.18 | 0.14 |
| 50 | 0.27 | 0.21 |
| 55 | 0.50 | 0.35 |
| 60 | 0.87 | 0.63 |
| 65 | 1.40 | 1.06 |
| | | |
| 70 | 2.25 | 1.80 |
| 75 | 3.85 | 2.95 |
| 80 | 6.63 | 4.91 |
| 85 | 11.13 | 8.43 |
| 90 | 18.73 | 13.66 |

**Disability rates**

Graduated rates are used. Sample rates shown below:

| Sample Attained Ages | Probability of Disability |
|---|---|
| 25 | 0.027% |
| 30 | 0.064 |
| 35 | 0.109 |
| 40 | 0.164 |
| 45 | 0.255 |
| 50 | 0.437 |
| 55 | 0.792 |
| 60 | 1.256 |

**Termination rates (for causes other than death, disability or retirement)**

Termination rates are based on service. Termination rates are not applied after a member becomes eligible for a retirement benefit. Rates at selected ages are shown:

| Years of Service | Probability of Termination |
|---|---|
| 1 | 9.00% |
| 2 | 9.00 |
| 3 | 9.00 |
| 4 | 9.00 |
| 5 | 5.00 |
| 6 | 5.00 |
| 7-10 | 3.00 |
| 11-15 | 2.00 |
| 16-29 | 1.00 |
| 30+ | 0.00 |

**Retirement Rates**

| Attained Age | Before Eligible for Special Early Retirement | After Eligible for Special Early Retirement |
|---|---|---|
| 50 | 0.0% | 3.0% |
| 51 | 0.0 | 3.0 |
| 52 | 0.0 | 3.0 |
| 53 | 0.0 | 3.0 |
| 54 | 0.0 | 9.0 |
| 55 | 5.0 | 15.0 |
| 56 | 5.0 | 15.0 |
| 57 | 5.0 | 15.0 |
| 58 | 5.0 | 10.0 |

| | | |
|---|---|---|
| 59 | 5.0 | 10.0 |
| 60 | 5.0 | 15.0 |
| 61 | 5.0 | 20.0 |
| 62 | 5.0 | 20.0 |
| 63 | 0.0 | 30.0 |
| 64 | 0.0 | 30.0 |
| 65 | 0.0 | 30.0 |
| 66-69 | 0.0 | 30.0 |
| 70 & Over | 0.0 | 100.0 |

**Other Assumptions**

Percent married: 75% of employees are assumed to be married**.**

Age difference: Male members are assumed to be three years older than their spouses,and female members are assumed to be three years younger than their spouses.

Cost of living adjustment: 2.75% per annum.

Deferred vested members and their surviving spouses are assumed to retire at first eligibility for unreduced benefits (age 65, unless eligible for Special Early Retirement, in which case, age 55).

Valuation payroll is based on census data provided (annualized for new hires) and then increasing for one-half year salary increase.

Pay increase timing: Middle of year.

Decrement timing: Decrements of all types are assumed to occur mid-year.

Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

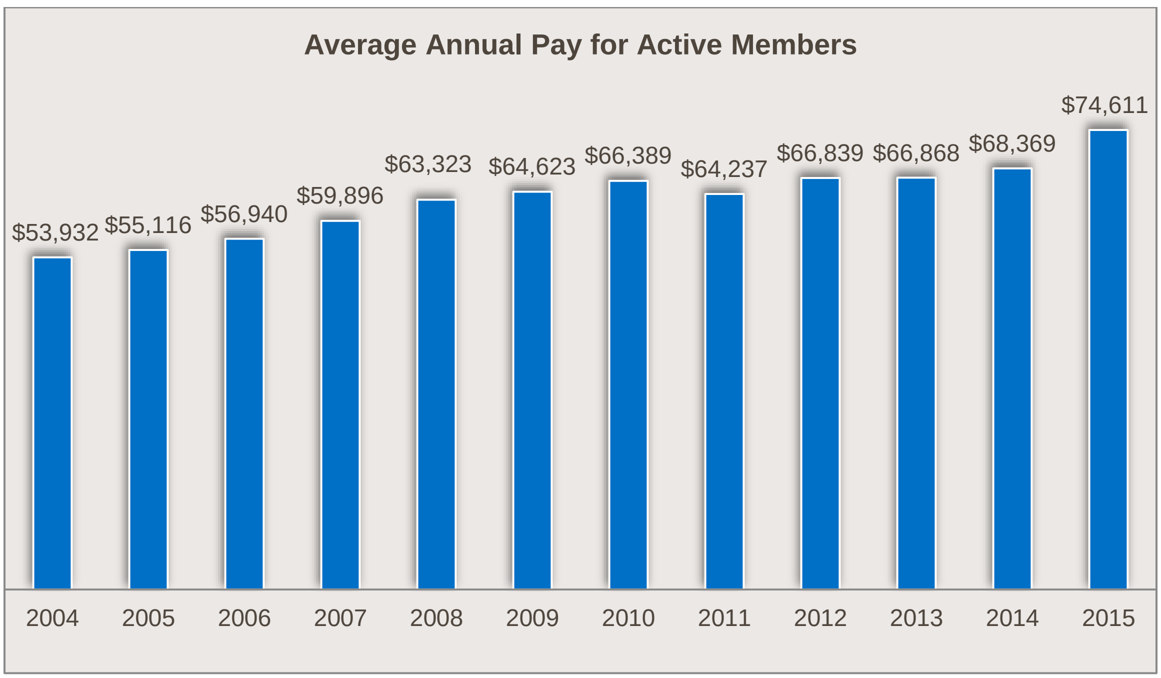
Decrement relativity: Decrement rates are used directly, without adjustment for multiple decrement table effects.

## C. CHANGES IN ACTUARIAL METHODS AND ASSUMPTIONS SINCE PRIOR YEAR

- The investment return assumption has been changed from 7.5% to 7.25%.
- The inflation/cost of living adjustment assumption has been changed from 3.0% to 2.75%.
- The retirement assumption has been updated.
- The merit salary scale assumption has been updated.
- The healthy mortality assumption has been updated to the RP-2000 Combined Healthy Mortality table projected to 2020 using Scale BB.
- The disabled mortality assumption has been updated to the RP-2000 Combined Healthy Mortality table, set forward 3 years, projected to 2020 using Scale BB.

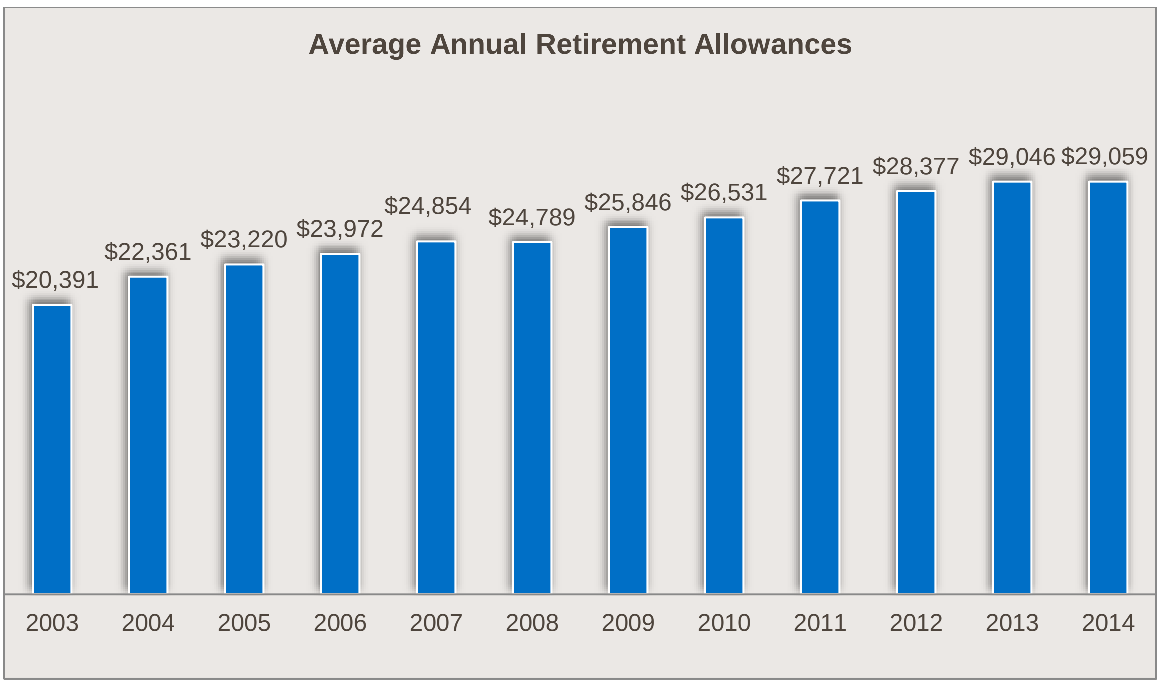
## D. SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| Valuation Date | Number of Active Members | Annual Payroll | Annual Average Pay | % Increase in Average Pay | Number of Deferred Vested |
|---|---|---|---|---|---|
| 1/1/2006 | 1,005 | 57,224,980 | 56,940 | 3.31 | 61 |
| 1/1/2007 | 978 | 58,578,510 | 59,896 | 5.19 | 62 |
| 1/1/2008 | 953 | 60,346,577 | 63,323 | 5.72 | 80 |
| 1/1/2009 | 1,017 | 65,721,304 | 64,623 | 2.05 | 77 |
| 1/1/2010 | 1,060 | 70,372,085 | 66,389 | 2.73 | 79 |
| 1/1/2011 | 1,063 | 69,926,961 | 64,237 | (3.24) | 82 |
| 1/1/2012 | 1,043 | 71,172,362 | 66,839 | 4.05 | 83 |
| 1/1/2013 | 1,045 | 71,940,163 | 66,868 | 0.04 | 82 |
| 1/1/2014 | 1,023 | 71,847,268 | 68,369 | 2.24 | 84 |
| 1/1/2015 | 1,034 | 75,990,457 | 74,611 | 9.13 | 90 |



## E. SCHEDULE OF RETIREES AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

| Plan Year Ending | Number Added to Rolls | Annual Allowances Added to Rolls | Number Removed from Rolls | Annual Allowances Removed from Rolls | Number at End of Year | Annual Allowances | % Increase in Annual Allowances | Average Annual Allowances |
|---|---|---|---|---|---|---|---|---|
| 12/31/2005 | 35 | 892,330 | 14 | 253,150 | 416 | 9,659,366 | 9.36 | 23,220 |
| 12/31/2006 | 35 | 1,068,629 | 24 | 524,884 | 427 | 10,236,256 | 5.97 | 23,972 |
| 12/31/2007 | 34 | 943,437 | 22 | 401,607 | 434 | 10,786,746 | 5.38 | 24,854 |
| 12/31/2008 | 21 | 600,765 | 14 | 334,219 | 441 | 10,931,756 | 1.34 | 24,789 |
| 12/31/2009 | 24 | 918,144 | 19 | 322,450 | 446 | 11,527,450 | 5.45 | 25,846 |
| 12/31/2010 | 32 | 1,066,810 | 11 | 204,272 | 467 | 12,389,988 | 7.48 | 26,531 |
| 12/31/2011 | 31 | 1,261,199 | 11 | 151,079 | 487 | 13,500,108 | 8.96 | 27,721 |
| 12/31/2012 | 45 | 1,511,056 | 13 | 283,394 | 519 | 14,727,770 | 9,.09 | 28,377 |
| 12/31/2013 | 56 | 1,856,554 | 10 | 173,084 | 565 | 16,411,240 | 11.43 | 29,046 |
| 12/31/2014 | 34 | 943,263 | 12 | 296,617 | 587 | 16,807,704 | 3.94 | 29,059 |



## F. SOLVENCY TEST

| | Actuarial Accrued Liabilities For | | | | Portion of Accrued Liabilities Covered by Valuation Assets | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Deferred Vested, Retirees and Beneficiaries | (3) Active Members | Valuation Assets | (1) | (2) | (3) |
| 1/1/2006 | 746,500 | 102,162,352 | 156,656,355 | 228,774,927 | 100 | 100 | 80.3 |
| 1/1/2007 | 664,800 | 107,425,967 | 156,423,105 | 247,159,884 | 100 | 100 | 88.9 |
| 1/1/2008 | 520,500 | 119,028,961 | 155,696,471 | 255,768,194 | 100 | 100 | 87.5 |
| 1/1/2009 | 495,900 | 124,774,259 | 163,394,642 | 209,770,560 | 100 | 100 | 51.7 |
| 1/1/2010 | 499,600 | 132,568,017 | 168,189,298 | 228,083,245 | 100 | 100 | 56.4 |
| 1/1/2011 | 408,200 | 142,084,100 | 153,777,087 | 218,757,059 | 100 | 100 | 49.6 |
| 1/1/2012 | 353,600 | 154,303,402 | 156,786,401 | 238,384,139 | 100 | 100 | 53.4 |
| 1/1/2013 | 274,800 | 168,146,325 | 152,183,674 | 252,919,993 | 100 | 100 | 55.5 |
| 1/1/2014 | 127,900 | 191,230,293 | 146,486,108 | 272,829,275 | 100 | 100.0 | 55.6 |
| 1/1/2015 | 90,000 | 202,360,110 | 157,097,607 | 297,670,643 | 100 | 100.0 | 60.6 |

## G. ANALYSIS OF FINANCIAL EXPERIENCE

| Plan Year Ending | Actuarial (Gains)/Losses | | | Changes in Plan Provisions | Changes in Assumptions/ Methods | Total (Gain)/Loss |
|---|---|---|---|---|---|---|
| | Asset Sources | Liability Sources | Total | | | |
| 12/31/2005 | (8,695,021) | (731,174) | (9,426,195) | 0 | 0 | (9,426,195) |
| 12/31/2006 | (4,831,200) | (5,567,912) | (10,399,112) | 0 | (2,740,658) | (13,139,770) |
| 12/31/2007 | (658,453) | 3,245,715 | 2,587,262 | 0 | 0 | 2,587,262 |
| 12/31/2008 | 57,469,750 | 1,677,274 | 59,147,024 | 0 | 814,878 | 59,961,902 |
| 12/31/2009 | (710,044) | (1,354,240) | (2,064,284) | (956,258) | 0 | (3,020,542) |
| 12/31/2010 | 24,758,527 | (6,215,755) | 18,542,772 | 0 | (13,585,635) | 4,957,137 |
| 12/31/2011 | (3,318,033) | 2,464,819 | (853,214) | 0 | 0 | (853,214) |
| 12/31/2012 | 751,281 | (3,476,652) | (2,725,371) | 0 | 0 | (2,725,371) |
| 12/31/2013 | (3,897,780) | 2,052,114 | (1,845,666) | 0 | 2,795,982 | 950,316 |
| 12/31/2014 | (10,614,132) | 964,653 | (9,649,479) | 0 | 10,152,400 | 502,921 |

…continued on next page

## H. ANALYSIS OF FINANCIAL EXPERIENCE -PLAN YEAR

| | |
|---|---|
| UAAL, January 1, 2014 | $ 65,015,026 |
| Expected Changes during 2014 | (3,640,873) |
| Expected UAAL, January 1, 2015 | $ 61,374,153 |
| Experience Changes During 2014 | |
| Investment (gains)/losses | $ (10,614,132) |
| • Salary changes different than assumed | (1,218,348) |
| • New and Rehired members | 595,521 |
| • Withdrawal Experience | (137,246) |
| • Retirement Experience | 518,097 |
| • Pensioner Mortality Experience | (85,229) |
| • Cost of Living Adjustment different than assumed | (3,654,982) |
| • Miscellaneous demographic (gains)/losses | 2,510,144 |
| • Total Experience Changes | (9,649,479) |
| Assumption Changes Effective January 1, 2015 | |
| • Economic Assumptions (Investment Return and CPI | (213,487) |
| • Retirement | 2,309,437 |
| • Merit Salary Scale | 684,064 |
| • Mortality | 7,372,386 |
| • Total Assumption Changes | $ 10,152,400 |
| Unfunded Actuarial Accrued Liability, January 1, 2015 | $ 61,877,074 |

## I. SUMMARY OF PLAN PROVISIONS

**Plan Provisions as of December 31, 2014**

Plan Year

The Plan Year is the 12-month period beginning January 1 and ending December 31.

Accrued Benefit

The Accrued Benefit for each member is the member's Normal Retirement Benefit calculated using Average Final Compensation and Credited Service as of the calculation date.

Average Final Compensation

A member's Average Monthly Salary, as of a given date, is the average of the highest 36 consecutive completed calendar months of compensation during the last 120 months of employment.

Compensation

Salary is the total compensation paid to a member for services rendered to the Employer, prior to any pre-tax contributions to any qualified cash or deferred compensation arrangement, eligible deferred compensation plan or under a cafeteria plan.

Credited Service

A member shall be credited with one year of Credited Service for each Plan Year in which the member is credited with 1,000 or more Hours of Service.

Employees/Membership

Discretionary Employee or any person employed by the Employer who has satisfactorily completed a Required Introductory Period (typically six months). An Employee shall become a member retroactive to the employee's date of employment upon the completion of the Required Introductory Period.

Employee Contributions

No longer required on or after September 30, 1981. Normal Benefit Form

Normal Retirement Date

A member's Normal Retirement Age is the later of age 65 or the date the member completes five years of Credited Service. Normal Retirement Date is the day immediately following the attainment of Normal Retirement Age.

Normal Retirement Benefits

The monthly normal retirement pension payable upon retirement on a member's Normal Retirement Date on or after January 1, 1992, is equal to the larger of the sum of (1) through (4), or (5):

1. $3 times Credited Service before June 1, 1951,

2. $4 times Credited Service after May 31, 1951 and before January 1, 1971,

3. The sum of $2.20 and 2% of Average Final Compensation in excess of $400, times Credited Service after December 31, 1960 and before January 1, 1971,

4. The sum of 1.25% of Average Final Compensation and 0.45% of Average Final Compensation in excess of Covered Compensation, times Credited Service after December 31, 1970.

5. The sum of 1.5% of Average Final Compensation and 0.45% of Average Final Compensation in excess of Covered Compensation, times Credited Service

Regular Early Retirement

*Eligibility:*

Age 55 and vested in the Accrued Benefit (5 years of credited service for severance dates on or after April 18, 1995.

*Amount:*

A member's Regular Early Retirement Benefit is a monthly pension benefit equal to his Accrued Benefit determined as of his Early Retirement Date, reduced by 1/3rd of 1% for each month payments commence prior to the member's Normal Retirement Date.

Special Early Retirement – Rule of 75

*Eligibility:*

Age 50 and age plus service equals 75 or more.

*Amount:*

A member's Special Early Retirement Benefit is a monthly pension benefit equal to his Accrued Benefit determined as of his Special Early Retirement Date, unreduced for earlier commencement. Benefits are payable at the later of age 55 and age at retirement.

Deferred Vested Retirement

*Eligibility:*

5 or more years of Credited Service.

*Amount:*

A member's Deferred Vested Retirement shall be equal to the member's Accrued Benefit, payable at the member's Normal Retirement Date. The member may retire with an Early Retirement Benefit upon attainment of age 55 with applicable reductions.

Disability Retirement

*Eligibility:*

Termination due to Disability.

*Amount:*

A member's Disability Retirement shall be equal to the member's Normal Retirement Benefit based on Average Final Compensation and Covered Compensation at time of Disability and Credited Service member would have accrued had he continued employment through his Normal Retirement Date (or date of discontinuance of disability benefits, if earlier).

Normal Benefit Form

Life Annuity

Optional Benefit Forms

Optional Benefit Forms are available and equal to the Actuarial Equivalent of the Normal Benefit Form and may be in an amount more than or less than that provided by the Normal Benefit Form depending on the option selected. Such distribution may be as a Joint & 50%, 75%, or 100% Survivor Annuity, with or without a Pop-up Feature, Level Income Option, or a Lump Sum.

Benefit reductions for Joint and Survivor Annuities are specified in the Plan Document. Lump Sum and Level Income benefits are calculated using an actuarial equivalence conversion.

Pre-Retirement Death Benefit

If a member dies prior to commencing benefits, the member's spouse will receive a monthly benefit payable as a Life Annuity in an amount equal to 50% of the member's Accrued Benefit.

Lump Sum Death Benefit

Upon the death of a Retired member receiving a monthly pension, $5,000 shall be paid in a single sum to the member's designated beneficiary.

Cost of Living Adjustment

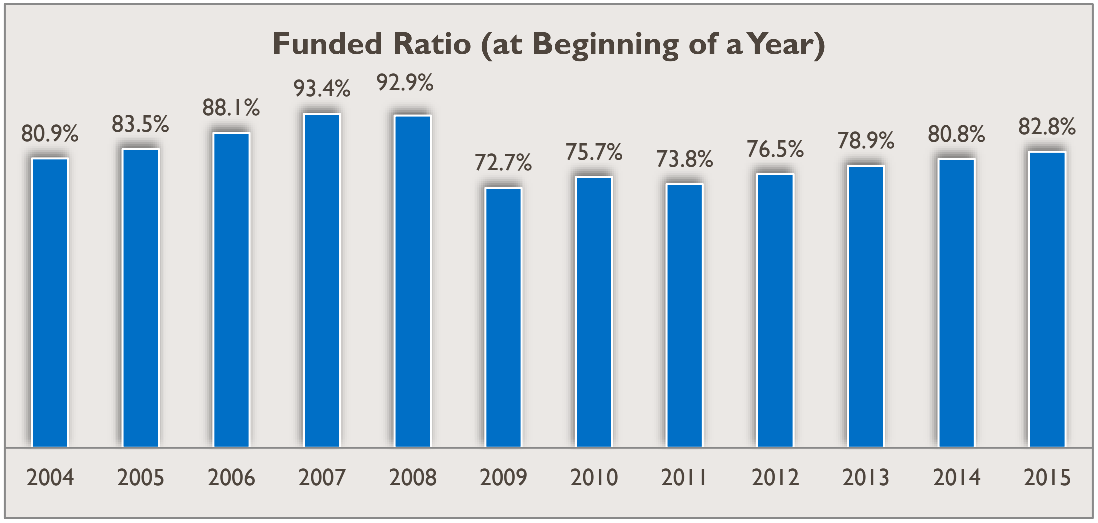
The monthly amount of any Pension provided by the Plan shall be increased or decreased annually of the first day of each January by the change in the U.S. Consumer Price Index (CPI-W) as reported the preceding November. Annual increases may not exceed 5% for members whose severance date occurs prior to September 1, 1995 and 4.4% for members whose severance date occurs after August 31, 1995. The Cost-of-Living Adjustment granted in 2015 was 0.07%.

## J. CHANGES IN PLAN PROVISIONS

None.

## K. SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Accrued Liabilities (UAL) (b-a) | Funded Ratio (a/b) | Covered payroll (c) | UAL as a % of Covered Payroll1 ((b-a)/c) |
|---|---|---|---|---|---|---|
| 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 |
| 1/1/2014 | 272,829,275 | 337,844,301 | 65,015,026 | 80.8 | 71,847,268 | 90.5 |
| 1/1/2015 | 297,670,643 | 359,547,717 | 61,877,074 | 82.8 | 75,990,457 | 81.4 |


Funded Ratio (at Beginning of a Year)
80.9%
83.5%
88.1%
93.4%
92.9%
72.7%
75.7%
73.8%
76.5%
78.9%
80.8%
82.8%
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

## L. SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Plan Year Ending | Annual Required Contribution | Employer Contribution | Percentage Contributed |
|---|---|---|---|
| 12/31/2004 | 8,967,490 | 9,005,701 | 100.4 |
| 12/31/2005 | 8,738,577 | 8,738,635 | 100.0 |
| 12/31/2006 | 8,268,755 | 8,269,119 | 100.0 |
| 12/31/2007 | 6,981,523 | 7,277,159 | 104.2 |
| 12/31/2008 | 7,233,450 | 7,590,475 | 104.9 |
| 12/31/2009 | 11,871,976 | 14,500,000 | 122.1 |
| 12/31/2010 | 12,638,827 | 12,638,827 | 100.0 |
| 12/31/2011 | 12,414,279 | 15,400,000 | 124.1 |
| 12/31/2012 | 12,256,238 | 14,300,000 | 116.7 |
| 12/31/2013 | 11,957,548 | 15,000,000 | 125.4 |
| 12/31/2014 | 13,532,013 | 14,500,000 | 107.2 |

## M. NOTES TO TREND DATA

**Summary of Actuarial Assumptions, Methods and Additional Information**

| | |
|---|---|
| Valuation Date | January 1, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | 15 years (layered), as a level dollar amount (beginning January 1, 2014) |
| Remaining amortization period | 15 years (as of January 1, 2014) |
| Asset valuation method | 3-year smoothing of market value gains or losses |
| Actuarial assumptions: | |
| Investment rate of return* | 7.25% |
| Projected salary increases | Age-based rates from 6.25% to 3.35% |
| *Includes inflation at | 2.75% and 0.5% productivity |

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# V. STATISTICAL SECTION (UNAUDITED)

This section provides detailed information about the Retirement Plans of the Denver Board of Water Commissioners as a context for understanding the Program's overall financial condition. "Schedules of Additions by Source", "Schedules of Deductions by Type", "Schedules of Benefit and Refund Deductions from Net Assets by Type" and "Schedules of Changes in Net Assets" provide detailed information about the trends of key sources of additions and deductions to assets of Denver Water Retirement Plans, as well as their overall growth. "Schedule of Retired Members by Type of Benefit" contains information regarding the number and type of benefit recipients, and benefit amount for those who retired in 2015. "Schedule of Average Benefit Payment Amounts for Retirees" contains information on the average monthly benefit, average final monthly salary, and number of retired members of the Employees' Retirement Plan of Denver Water (DB Plan) over the last 10 years. Finally, the section entitled "Other Information" contains various tables showing member data for the Plans for the years 2006-2015. All non-accounting data was derived from Denver Water's internal sources and vendor reports and has been updated as of the end of 2015, as available.

## A. EMPLOYEES' RETIREMENT PLAN

### Schedule of Additions by Source, 2006-2015

| | | Employer Contributions[1] | | | |
|---|---|---|---|---|---|
| Fiscal Year Ending | Member Contributions[2] | Dollars | Percentage of Annual Covered Payroll[3] | Net Investment and Other Income[4] | Total |
| 2006 | N/A | 8,269,100 | 14.5% | 29,511,400 | 37,780,500 |
| 2007 | N/A | 7,277,200 | 12.4% | 19,208,700 | 26,485,900 |
| 2008 | N/A | 7,590,500 | 12.6% | (77,309,700) | (69,719,200) |
| 2009 | N/A | 14,500,000 | 22.1% | 31,558,700 | 46,058,700 |
| 2010 | N/A | 12,638,800 | 18.0% | 24,118,400 | 36,757,200 |
| 2011 | N/A | 15,400,000 | 22.0% | (2,094,700) | 13,305,300 |
| 2012 | N/A | 14,300,000 | 20.1% | 28,171,400 | 42,471,400 |
| 2013 | N/A | 15,000,000 | 20.9% | 39,023,000 | 54,023,000 |
| 2014 | N/A | 14,500,000 | 20.2% | 18,523,200 | 33,023,200 |
| 2015 | N/A | 14,500,000 | 19.0% | 2,473,300 | 16,973,300 |

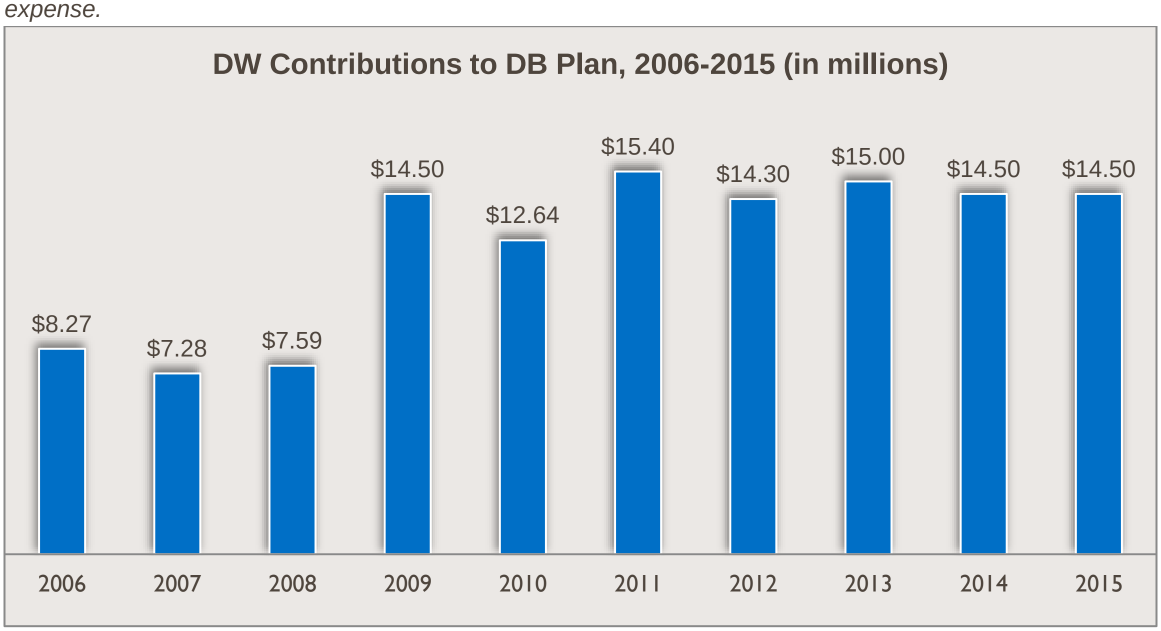
*Source: Financial Statements for the Employees' Retirement Plan*

*[1] Employer cash contributions are made at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. Contribution amounts are rounded to the nearest $100 dollars and do not include interest earned for early payment of contribution.*

*[2]Effective September 1, 1995, members had the ability to make a voluntary after-tax contributions to the Plan to purchase an additional monthly benefit (pension purchase feature). The additional benefit was in the form of a monthly annuity with no cost-of-living adjustment. No contributions were made under this provision in 1999-2008. The pension purchase feature was eliminated effective July 1, 2009.*

*[3] Percentage is calculated based on contribution payment made on December 31 of each year. Actual percentage may be lower due to earlier payment of contribution.*

*[4.]Investment and miscellaneous income (including realized and unrealized gains/losses) net of investment expense.*



## Schedule of Deductions by Type, 2006-2015

| | Deductions by Type | | | |
|---|---|---|---|---|
| Fiscal Year Ending | Benefit Payments | Administrative Expenses | Refunds[1] | Total |
| 2006 | 12,768,700 | 180,700 | 109,600 | 13,059,000 |
| 2007 | 20,099,700 | 45,500 | 205,500 | 20,350,700 |
| 2008 | 15,281,500 | 47,900 | 64,600 | 15,394,000 |
| 2009 | 12,640,900 | 52,400 | 88,400 | 12,781,700 |
| 2010 | 14,143,900 | 59,800 | 108,300 | 14,312,000 |
| 2011 | 15,416,200 | 123,200 | 78,000 | 15,617,400 |
| 2012 | 16,704,300 | 123,800 | 93,700 | 16,921,800 |
| 2013 | 17,699,200 | 115,500 | 151,400 | 17,966,100 |
| 2014 | 20,299,200 | 144,000 | 66,400 | 20,509,600 |
| 2015 | 20,665,500 | 44,200 | 28,000 | 20,737,700 |

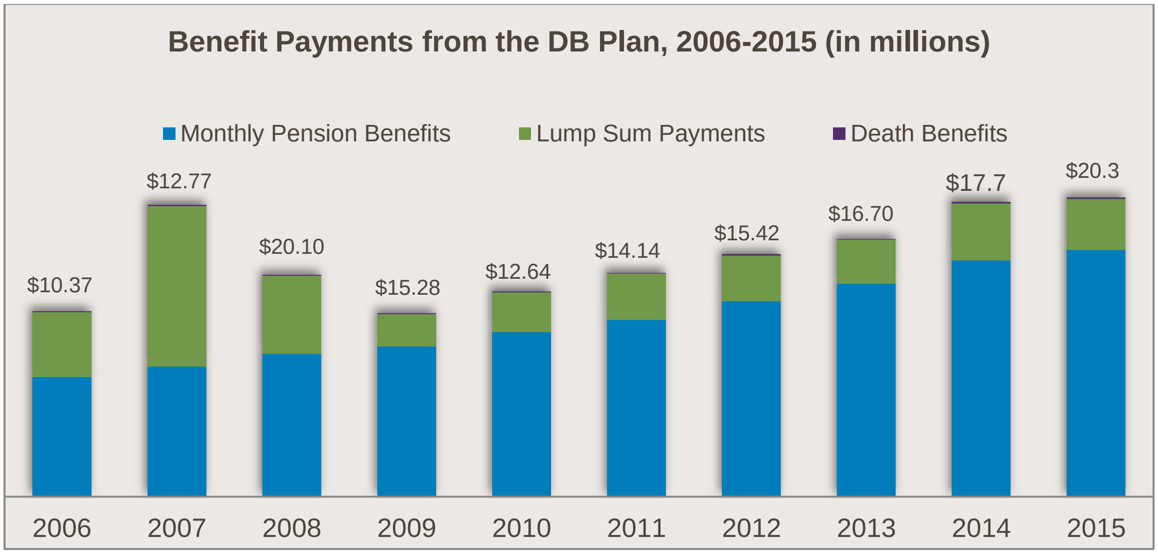
*Source: Financial Statements for the Employees' Retirement Plan*

*[1.]Effective January 1, 1992, the Board determined that all employee contributions to the Denver Water Employees' Retirement Plan would be refunded, with interest at 5%, upon termination or retirement. An amount of $2,480,000 was paid in 1992 to refund amounts contributed by employees who had retired prior to December 1992 or were terminated during 1992. Amounts listed subsequent to 1992 were paid to employees who were terminated or retired in the year listed. Employees stopped making mandatory contributions after September 1981. As of December 31, 2015 and 2014, total remaining employee contributions including accrued interest were $65,400, and $84,700, respectively.*

## Schedule of Benefit Deductions from Net Assets by Type, 2006-2015

| Fiscal Year Ending | Annual Pension Benefits | Lump Sum Payments | Death Benefits | Total Benefits | Refunds |
|---|---|---|---|---|---|
| 2006 | 8,241,800 | 4,451,900 | 75,000 | 12,768,700 | 109,600 |
| 2007 | 8,952,600 | 11,067,100 | 80,000 | 20,099,700 | 205,500 |
| 2008 | 9,837,000 | 5,379,500 | 65,000 | 15,281,500 | 64,600 |
| 2009 | 10,350,800 | 2,215,100 | 75,000 | 12,640,900 | 88,400 |
| 2010 | 11,338,400 | 2,740,500 | 65,000 | 14,143,900 | 108,300 |
| 2011 | 12,184,400 | 3,176,800 | 55,000 | 15,416,200 | 78,000 |
| 2012 | 13,442,000 | 3,167,300 | 100,000 | 16,704,340 | 93,700 |
| 2013 | 14,670,900 | 3,028,300 | 55,000 | 17,699,200 | 151,400 |
| 2014 | 16,264,600 | 3,929,600 | 105,000 | 20,299,200 | 66,400 |
| 2015 | 17,041,700 | 3,538,800 | 85,000 | 20,665,500 | 28,000 |

*Source: Financial Statements for the Employees' Retirement Plan, Custody Reports*




## Schedule of Changes in Fiduciary Net Position, 2006-2015

| Fiscal Year Ending | Total Additions | Total Deductions | Change in Net Assets | Net position restricted for pension, Beginning of Year | Net position restricted for pension, End of Year |
|---|---|---|---|---|---|
| 2006 | 37,780,500 | 13,059,000 | 24,721,500 | 229,065,300 | 253,786,800 |
| 2007 | 26,485,900 | 20,350,700 | 6,135,200 | 253,786,800 | 259,922,000 |
| 2008 | (69,719,200) | 15,394,000 | (85,113,200) | 259,922,000 | 174,808,800 |
| 2009 | 46,058,700 | 12,781,700 | 33,277,000 | 174,808,800 | 208,085,800 |
| 2010 | 36,757,200 | 14,312,000 | 22,445,200 | 208,085,800 | 230,531,000 |
| 2011 | 13,305,300 | 15,617,400 | (2,312,100) | 250,531,000 | 228,218,900 |
| 2012 | 42,471,400 | 16,921,800 | 25,549,600 | 228,218,900 | 253,768,500 |
| 2013 | 54,023,000 | 17,966,100 | 36,056,900 | 253,768,500 | 289,825,400 |
| 2014 | 33,023,200 | 20,509,600 | 12,513,600 | 289,825,400 | 302,339,000 |
| 2015 | 16,973,300 | 20,738,700 | (3,764,400) | 302,339,000 | 298,574,600 |

*Source: Financial Statements for the Employees' Retirement Plan*

## Schedule of Retired Members by Type of Benefit

Data as of January 1, 2016

| Amount of monthly benefit | Number of retirees | Type of retirement* | | | | | Option selected # | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | Life | Opt. 1 | Opt. 2 | Opt. 3 | Def |
| Deferred | 112 | 0 | 0 | 0 | 12 | 100 | 0 | 0 | 0 | 0 | 112 |
| $1 – $249 | 9 | 0 | 5 | 4 | 0 | 0 | 7 | 0 | 0 | 2 | 0 |
| $250 – $499 | 37 | 7 | 25 | 5 | 0 | 0 | 31 | 3 | 1 | 2 | 0 |
| $500 – $749 | 37 | 9 | 20 | 6 | 2 | 0 | 32 | 0 | 1 | 4 | 0 |
| $750 – $999 | 32 | 8 | 19 | 4 | 1 | 0 | 23 | 4 | 2 | 3 | 0 |
| $1,000 – $1,249 | 36 | 3 | 17 | 12 | 4 | 0 | 28 | 1 | 2 | 5 | 0 |
| $1,250 – $1,499 | 39 | 9 | 19 | 10 | 1 | 0 | 26 | 6 | 1 | 6 | 0 |
| $1,500 – $1,749 | 34 | 7 | 20 | 6 | 1 | 0 | 27 | 3 | 1 | 3 | 0 |
| $1,750 – $1,999 | 34 | 6 | 22 | 4 | 2 | 0 | 24 | 5 | 3 | 2 | 0 |
| over $2,000 | 346 | 40 | 261 | 21 | 24 | 0 | 208 | 83 | 19 | 36 | 0 |
| Totals | 716 | 89 | 408 | 72 | 47 | 100 | 406 | 105 | 30 | 63 | 112 |

*Type of Retirement
1-Normal retirement
2-Early and special early retirement
3-Survivor
4-Disability
5-Vested terminations with deferred benefits

# Option Selected
Life or leveling option
Opt. 1 – 50% J&S with and without pop up
Opt. 2 – 75% J&S with and without pop up
Opt. 3 – 100% J&S with and without pop up
Def. – Deferred benefits

*Source: January 1, 2016 Actuarial Valuation Report for Employees' Retirement Plan prepared by GRS*

## Schedule of Average Benefit Payment Amounts for Retirees, 2006-2015

| | Years of Credited Service | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Retirement Effective Dates** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30-34** | **35+** | **Total** |
| January 1, 2006 to December 31, 2006: | | | | | | | | |
| Average Monthly Benefit | $347.80 | $0.00 | $0.00 | $2,256.22 | $2,128.89 | $2,783.37 | $2,425.29 | $2,393.76 |
| Number of Active Retirants | 1 | 0 | 0 | 1 | 4 | 8 | 4 | 18 |
| January 1, 2007 to December 31, 2007: | | | | | | | | |
| Average Monthly Benefit | $144.99 | $625.86 | $0.00 | $1,774.83 | $2,102.49 | $3,047.84 | $3,587.81 | $2,462.23 |
| Number of Active Retirants | 1 | 1 | 0 | 7 | 7 | 10 | 5 | 31 |
| January 1, 2008 to December 31, 2008: | | | | | | | | |
| Average Monthly Benefit | $408.19 | $0 | $2,277.10 | $2,177.18 | $3,102.16 | $2,718.25 | $3,274.88 | $2,439.48 |
| Number of Active Retirants | 2 | 0 | 2 | 4 | 4 | 4 | 2 | 18 |
| January 1, 2009 to December 31, 2009 | | | | | | | | |
| Average Monthly Benefit | $0 | $1,379.36 | $0 | $0 | $3,031.65 | $3,711.94 | $3,416.99 | $3,224.64 |
| Number of Active Retirants | 0 | 2 | 0 | 0 | 4 | 6 | 8 | 20 |
| January 1, 2010 to December 31, 2010 | | | | | | | | |
| Average Monthly Benefit | $457.36 | $1,018.89 | $2,257.99 | $1,410.37 | $2,424.95 | $2,565.34 | $3,901.13 | $2,676.96 |
| Number of Active Retirants | 1 | 4 | 2 | 1 | 2 | 7 | 10 | 27 |
| January 1, 2011 to December 31, 2011 | | | | | | | | |
| Average Monthly Benefit | $0.00 | $892.08 | $1,235.41 | $1,494.81 | $2,216.83 | $3,747.31 | $3,472.47 | $2,713.81 |
| Number of Active Retirants | 0 | 3 | 4 | 1 | 1 | 9 | 5 | 23 |
| January 1, 2012 to December 31, 2012 | | | | | | | | |
| Average Monthly Benefit | $447.58 | $551.04 | $1,431.77 | $2,077.38 | $3,022.27 | $3,230.24 | $4,105.24 | $3,097.40 |
| Number of Active Retirants | 2 | 1 | 1 | | 8 | 11 | 11 | 33 |
| January 1, 2013 to December 31, 2013 | | | | | | | | |
| Average Monthly Benefit | $676.26 | $770.75 | $1,809.36 | $2,273.52 | $2,916.17 | $3,144.23 | $4,463.10 | $3,053.70 |
| Number of Active Retirants | 1 | 4 | 7 | 7 | 3 | 8 | 18 | 48 |
| January 1, 2014 to December 31, 2014 | | | | | | | | |
| Average Monthly Benefit | $0.00 | $951.89 | $2,051.16 | $1,636.05 | $1,843.68 | $2,824.24 | $3,568.32 | $2,297.64 |
| Number of Active Retirants | 0 | 6 | 3 | 1 | 5 | 3 | 8 | 26 |
| January 1, 2015 to December 31, 2015 | | | | | | | | |
| Average Monthly Benefit | $759.99 | $1,204.97 | $1,813.91 | $1,828.66 | $3,492.23 | $4,799.75 | $3,447.28 | $3,144.63 |
| Number of Active Retirants | 4 | 1 | 3 | 2 | 4 | 9 | 6 | 29 |

## Other Information

### Employees' Retirement Plan – Member Count

| | | | Inactive | | |
|---|---|---|---|---|---|
| As of | Total | Active[1] | With Deferred Benefits | Retired Members and Beneficiaries | On Long Term Disability |
| 01/01/2007 | 1,472 | 983 | 62 | 394 | 33 |
| 01/01/2008 | 1,470 | 956 | 80 | 410 | 24 |
| 01/01/2009 | 1,536 | 1,018 | 77 | 424 | 17 |
| 01/01/2010 | 1,588 | 1,063 | 79 | 435 | 11 |
| 01/01/2011 | 1,613 | 1,063 | 83 | 456 | 11 |
| 01/01/2012 | 1,613 | 1,043 | 83 | 477 | 10 |
| 01/01/2013 | 1,646 | 1,045 | 82 | 511 | 8 |
| 01/01/2014 | 1,672 | 1,023 | 84 | 558 | 7 |
| 01/01/2015 | 1,711 | 1,034 | 90 | 582 | 5 |
| 01/01/2016 | 1,720 | 1,004 | 100 | 604 | 12 |

*Source: 2007-2016 Actuarial Valuation reports; extracted from "Member Data Reconciliation"*

[1] *Includes members on leave of absence as of January 1.*

### Employees' Retirement Plan – Active members

| As of | Number of Members on Leave of Absence | Active Only | Average Age | Average Vesting Service | Average Earnings | Average Entry Age |
|---|---|---|---|---|---|---|
| 01/01/2007 | 5 | 978 | 46.8 | 15.5 | $59,896 | 31.3 |
| 01/01/2008 | 3 | 953 | 46.5 | 14.9 | $63,323 | N/A |
| 01/01/2009 | 1 | 1,018 | 46.1 | 14.1 | $64,623 | N/A |
| 01/01/2010 | 3 | 1,060 | 45.9 | 13.7 | $66,389 | N/A |
| 01/01/2011 | N/A | 1,063 | 46.0 | 13.4 | $64,237 | N/A |
| 01/01/2012 | N/A | 1,043 | 46.4 | 13.8 | $66,839 | N/A |
| 01/01/2013 | N/A | 1,045 | 46.3 | 13.4 | $66,868 | N/A |
| 01/01/2014 | N/A | 1,023 | 46.2 | 12.9 | $68,369 | N/A |
| 01/01/2015 | N/A | 1,034 | 46.3 | 12.7 | $74,611 | N/A |
| 01/01/2016 | N/A | 1,004 | 46.4 | 12.6 | $75,438 | N/A |

*Source: 2006-2015 Actuarial Valuation reports; extracted from "Active Member Averages"*

## Employees' Retirement Plan – Retiring Members by Type of Benefit elected, 2006-2015

| Fiscal Year Ending | Lump Sum | Partial Lump/Annuity | Annuity Only | Total Retirements |
|---|---|---|---|---|
| 2006 | 10 | 3 | 15 | 28 |
| 2007 | 26 | 7 | 24 | 57 |
| 2008 | 5 | 3 | 15 | 23 |
| 2009 | 5 | 4 | 16 | 25 |
| 2010 | 17 | 2 | 25 | 44 |
| 2011 | 7 | 0 | 23 | 30 |
| 2012 | 12 | 3 | 30 | 45 |
| 2013 | 19 | 5 | 43 | 67 |
| 2014 | 10 | 4 | 23 | 37 |
| 2015 | 11 | 2 | 29 | 42 |

*Source: 2007-2016 Actuarial Valuation reports; extracted from "Retirements by Type""*

## Employees' Retirement Plan – Retiring Members by Type of Retirement, 2006-2015

| Fiscal Year Ending | Normal Retirement | Early Retirement | Special Early (Rule of 75) | Special Early (Rule of 75 Grow-In) | Total Retirements |
|---|---|---|---|---|---|
| 2006 | 5 | 1 | 19 | 3 | 28 |
| 2007 | 8 | 2 | 47 | 0 | 57 |
| 2008 | 1 | 2 | 20 | 0 | 23 |
| 2009 | 0 | 2 | 23 | 0 | 25 |
| 2010 | 7 | 11 | 26 | 0 | 44 |
| 2011 | 8 | 3 | 19 | 0 | 30 |
| 2012 | 9 | 6 | 30 | 0 | 45 |
| 2013 | 6 | 14 | 47 | 0 | 67 |
| 2014 | 8 | 8 | 20 | 1 | 37 |
| 2015 | 14 | 2 | 22 | 4 | 42 |

*Source: 2007-2016 Actuarial Valuation report; extracted from "Retirements by Type"*

## Retired Members (Inactive Plan Members) – By Type of Retirement

| As of | Normal Retirement[1] | Early and Special Early Retirement | Survivor | Disability Retirements | Vested Terminations | Total Inactive Members |
|---|---|---|---|---|---|---|
| 01/01/2007 | 220 | 124 | 50 | 33 | 62 | 489 |
| 01/01/2008 | 73 | 276 | 53 | 32 | 80 | 514 |
| 01/01/2009 | 72 | 290 | 54 | 25 | 77 | 518 |
| 01/01/2010 | 68 | 307 | 52 | 19 | 79 | 525 |
| 01/01/2011 | 73 | 316 | 59 | 20 | 82 | 550 |
| 01/01/2012 | 75 | 334 | 60 | 19 | 82 | 570 |
| 01/01/2013 | 83 | 353 | 66 | 18 | 81 | 601 |
| 01/01/2014 | 85 | 396 | 68 | 17 | 83 | 649 |
| 01/01/2015 | 85 | 410 | 77 | 16 | 89 | 677 |
| 01/01/2016 | 89 | 408 | 72 | 47 | 100 | 716 |

*Source: 2007-2016 Actuarial Valuation reports; extracted from "Schedules of Retired Members by Type of Benefit"."*

*[1] Retirees who met the Special Early Retirement rule (Rule of 75) were classified incorrectly in the "Normal Retirement" category until 2007.*

## Retired Members (Inactive Plan Members) – By Option Selected

| As of | Life or leveling option | 50% J&S | 75% J& S | 100% J&S | Total |
|---|---|---|---|---|---|
| 01/01/2007 | 355 | 79 | 15 | 40 | 489 |
| 01/01/2008 | 374 | 80 | 15 | 45 | 514 |
| 01/01/2009 | 367 | 90 | 15 | 46 | 518 |
| 01/01/2010 | 370 | 88 | 16 | 51 | 525 |
| 01/01/2011 | 398 | 92 | 15 | 45 | 550 |
| 01/01/2012 | 413 | 96 | 15 | 46 | 570 |
| 01/01/2013 | 345 | 98 | 18 | 50 | 511 |
| 01/01/2014 | 372 | 98 | 25 | 63 | 558 |
| 01/01/2015 | 394 | 100 | 27 | 61 | 582 |
| 01/01/2016 | 406 | 105 | 30 | 63 | 604 |

*Source: 2007-2016 Actuarial Valuation reports; extracted from "Schedules of Retired Members by Type of Benefit"; the 2010 data retrieved from Denver Water's internal database."*

## B. DENVER WATER 401(K) SUPPLEMENTAL RETIREMENT SAVINGS PLAN

### Schedule of Additions by Source, 2006-2015

| Fiscal Year Ending | Employee Contributions | Employee Rollovers | Employer Contributions[1] | Net Investment and Other Income[2] | Total |
|---|---|---|---|---|---|
| 2006 | 3,087,300 | - | 1,480,300 | 2,420,300 | 6,987,900 |
| 2007 | 3,247,900 | 104,100 | 1,486,500 | 2,248,000 | 7,086,500 |
| 2008 | 3,253,500 | 18,200 | 1,554,200 | (8,453,300) | (3,627,400) |
| 2009 | 3,294,300 | 62,400 | 1,647,700 | 6,157,200 | 11,161,600 |
| 2010 | 3,562,000 | 89,200 | 1,671,100 | 4,952,000 | 10,274,300 |
| 2011 | 3,694,600 | 9,100 | 1,735,100 | (90,900) | 5,348,800 |
| 2012 | 3,827,400 | 275,200 | 1,743,300 | 5,543,600 | 11,389,500 |
| 2013 | 4,153,300 | 694,200 | 1,834,900 | 10,752,000 | 17,434,400 |
| 2014 | 4,245,800 | 342,600 | 1,977,800 | 4,616,500 | 11,182,700 |
| 2015 | 4,463,400 | 1,298,000 | 1,988,400 | 157,100 | 7,907,900 |

*Source: Financial Statements for 401(k) Supplemental Retirement Savings Plan*

*[1] Employer's matching contribution is currently 100% of each Participant's contribution up to 3% of the Participant's published base pay for the 401(k) Plan year. Employer's contribution also includes discretionary contributions, as described in the financial statements for the DC Plans.*

*[2.] Investment, Participant loan interest and miscellaneous income (including realized and unrealized gains/losses) net of investment expense.*

### Schedule of Deductions by Type, 2006-2015

| | Deductions by Type | | | |
|---|---|---|---|---|
| Fiscal Year Ending | Benefit Payments | Expenses[1] | Participant investment advisory fees | Total |
| 2006 | 1,562,700 | 87,400 | - | 1,650,100 |
| 2007 | 2,986,100 | 71,500 | - | 3,057,600 |
| 2008 | 1,836,400 | 75,300 | - | 1,911,700 |
| 2009 | 2,106,300 | 79,600 | - | 2,185,900 |
| 2010 | 2,911,200 | 83,800 | - | 2,995,000 |
| 2011 | 3,004,500 | 44,700 | - | 3,049,200 |
| 2012 | 2,458,700 | 49,700 | 3,900 | 2,512,300 |
| 2013 | 4,907,800 | 58,700 | 10,900 | 4,977,400 |
| 2014 | 3,573,000 | 67,200 | 19,900 | 3,660,100 |
| 2015 | 6,025,000 | 71,100 | 20,400 | 6,116,500 |

*Source: Financial Statements for 401(k) Supplemental Retirement Savings Plan*

*[1] Includes imputed amount of investment and recordkeeping fees.*

## Schedule of Benefit Deductions from Net Assets by Type, 2006-2015

| Fiscal Year Ending | Retirement | Age 70 1/2 Minimum | Termination of Employment | Hardship Withdrawal | Other[1] | Total Benefits |
|---|---|---|---|---|---|---|
| 2006 | 466,000 | 11,800 | 868,000 | 141,100 | 75,800 | 1,562,700 |
| 2007 | 1,820,400 | 1,200 | 885,600 | 137,200 | 53,700 | 2,986,100 |
| 2008 | 1,422,200 | 900 | 244,000 | 98,700 | 70,600 | 1,836,400 |
| 2009 | 1,655,300 | 0 | 201,700 | 100,900 | 148,400 | 2,106,300 |
| 2010 | 2,163,350 | 0 | 257,700 | 122,250 | 367,900 | 2,911,200 |
| 2011 | 2,301,600 | 4,200 | 326,600 | 185,300 | 186,800 | 3,004,500 |
| 2012 | 1,757,800 | 1,900 | 392,600 | 197,900 | 108,500 | 2,458,700 |
| 2013 | 3,603,000 | 0 | 736,700 | 200,700 | 367,400 | 4,907,800 |
| 2014 | 2,3745,000 | 0 | 565,500 | 257,000 | 375,500 | 3,573,000 |
| 2015 | 3,056,000 | 0 | 1,910,000 | 32,000 | 1,012,200 | 6,010,000 |

*Source: Empower Retirement, Plan Disbursement Summary*

*[1]"Other" includes beneficiary payments, Qualified Domestic Relations Order (QDRO) payments, death claims, disability payments, early distributions and taxes withheld.*

## Schedule of Changes in Net Assets, 2006-2015

| Fiscal Year Ending | Total Additions | Total Deductions | Change in Net Assets | Net Assets Held in Trust, Beginning of Year | Net Assets Held in Trust, End of Year |
|---|---|---|---|---|---|
| 2006 | 6,987,900 | 1,650,100 | 5,337,800 | 26,553,900 | 31,891,700 |
| 2007 | 7,086,500 | 3,057,600 | 4,028,900 | 31,891,700 | 35,920,600 |
| 2008 | (3,627,400) | 1,911,700 | (5,539,100) | 35,920,600 | 30,381,500 |
| 2009 | 11,161,600 | 2,185,900 | 8,975,700 | 30,381,500 | 39,357,200 |
| 2010 | 10,274,300 | 2,995,000 | 7,279,300 | 39,357,200 | 46,636,500 |
| 2011 | 5,347,900 | 3,049,200 | 2,298,700 | 46,636,500 | 48,935,200 |
| 2012 | 11,389,500 | 2,512,300 | 8,877,200 | 48,935,200 | 57,812,400 |
| 2013 | 17,434,400 | 4,977,400 | 12,457,000 | 57,812,400 | 70,269,400 |
| 2014 | 11,182,700 | 3,660,100 | 7,522,600 | 70,269,400 | 77,792,000 |
| 2015 | 7,906,900 | 6,116,500 | 1,790,400 | 77,792,000 | 79,582,400 |

*Source: Financial Statements for 401(k) Supplemental Retirement Savings Plan*

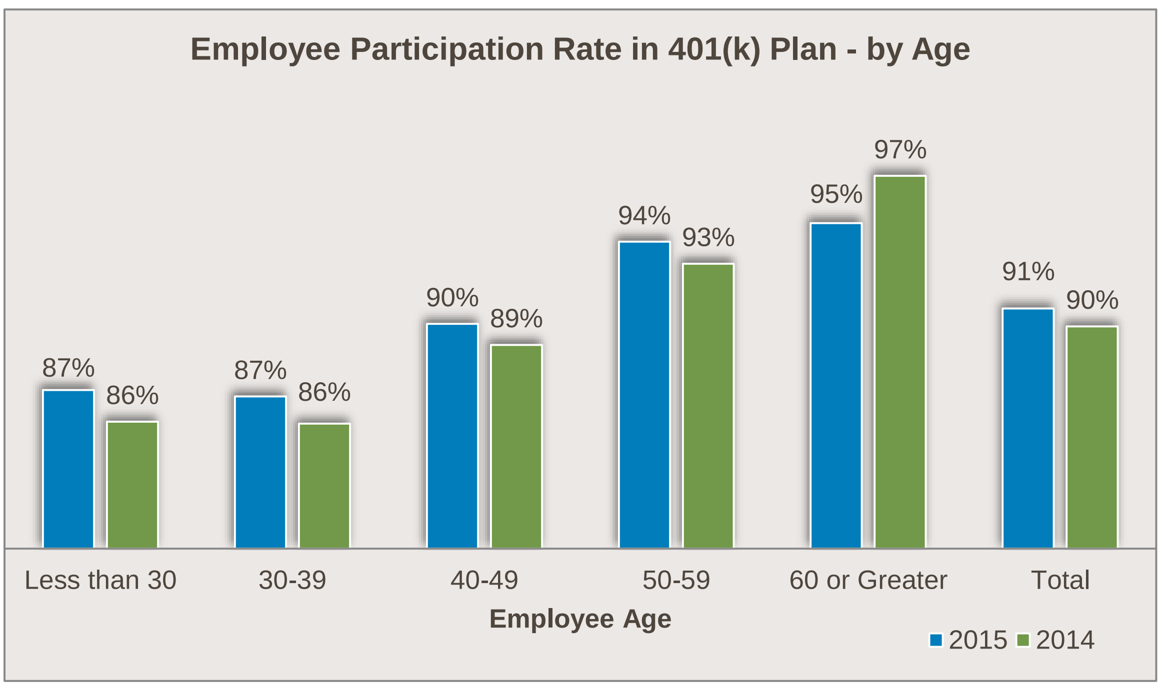
## Other Information

### Denver Water 401(k) Supplemental Retirement Savings Plan - Number of Participants

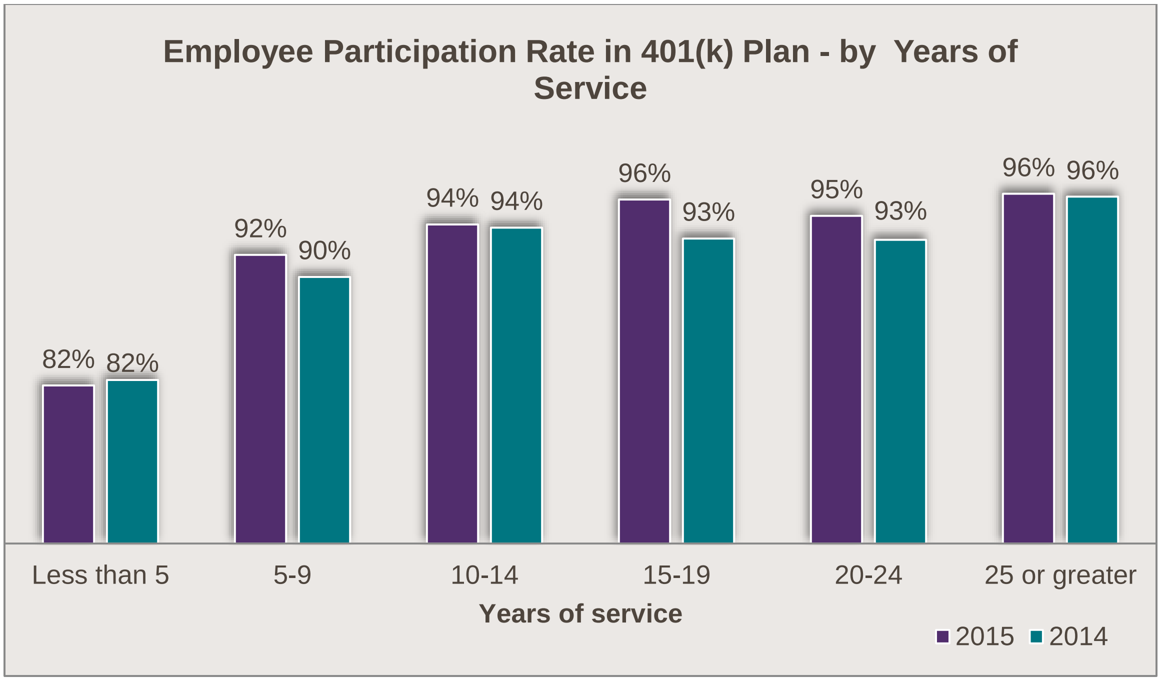
| Fiscal Year Ending | Participants[1] | | | |
|---|---|---|---|---|
| | Total | Active | Inactive | New enrollments |
| 12/31/2006 | 1,020 | 935 | 85 | 45 |
| 12/31/2007 | 1,003 | 918 | 85 | 39 |
| 12/31/2008 | 1,021 | 918 | 103 | 75 |
| 12/31/2009 | 1,011 | 926 | 85 | 60 |
| 12/31/2010 | 1,010 | 922 | 88 | N/A |
| 12/31/2011 | 1,027 | 930 | 97 | N/A |
| 12/31/2012 | 1,061 | 940 | 121 | N/A |
| 12/31/2013 | 1,092 | 929 | 163 | N/A |
| 12/31/2014 | 1 142 | 957 | 185 | N/A |
| 12/31/2015 | 1,141 | 937 | 204 | N/A |

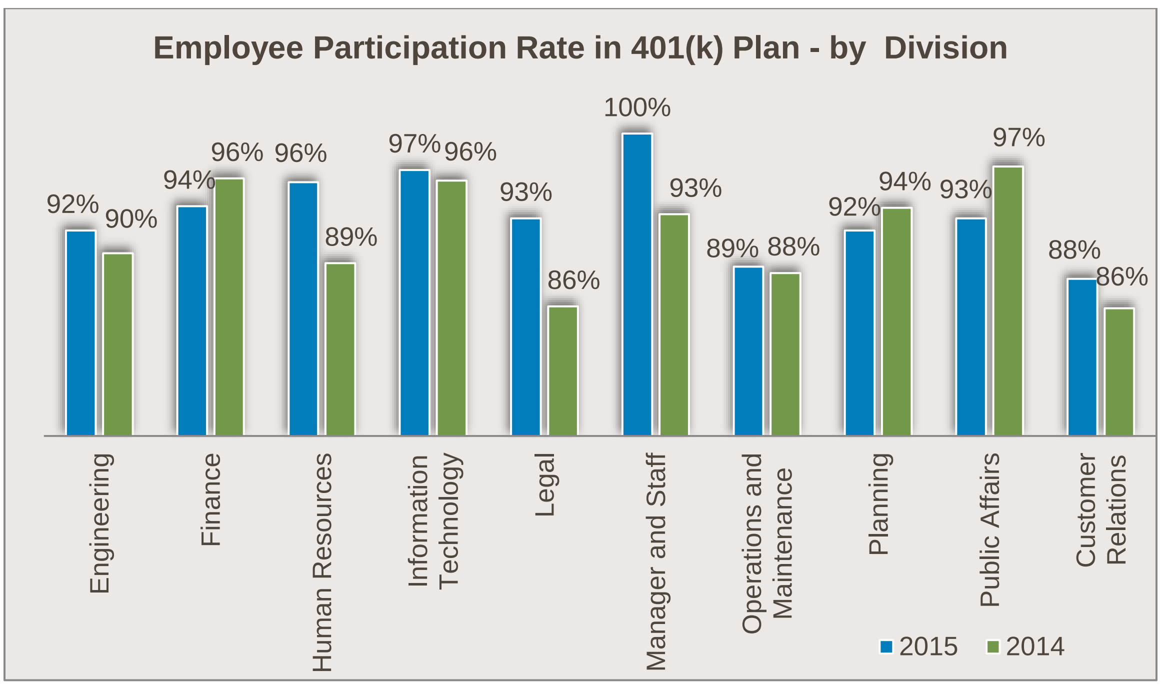
*Source: VALIC/ Empower*

*[1] Total participants are defined as those participants who had cash value at the end of the reporting period. Active participants are defined as those participants who were actively employed and had a balance at the end of the year. Inactive participants include plan participants who are no longer employed but have a balance.*

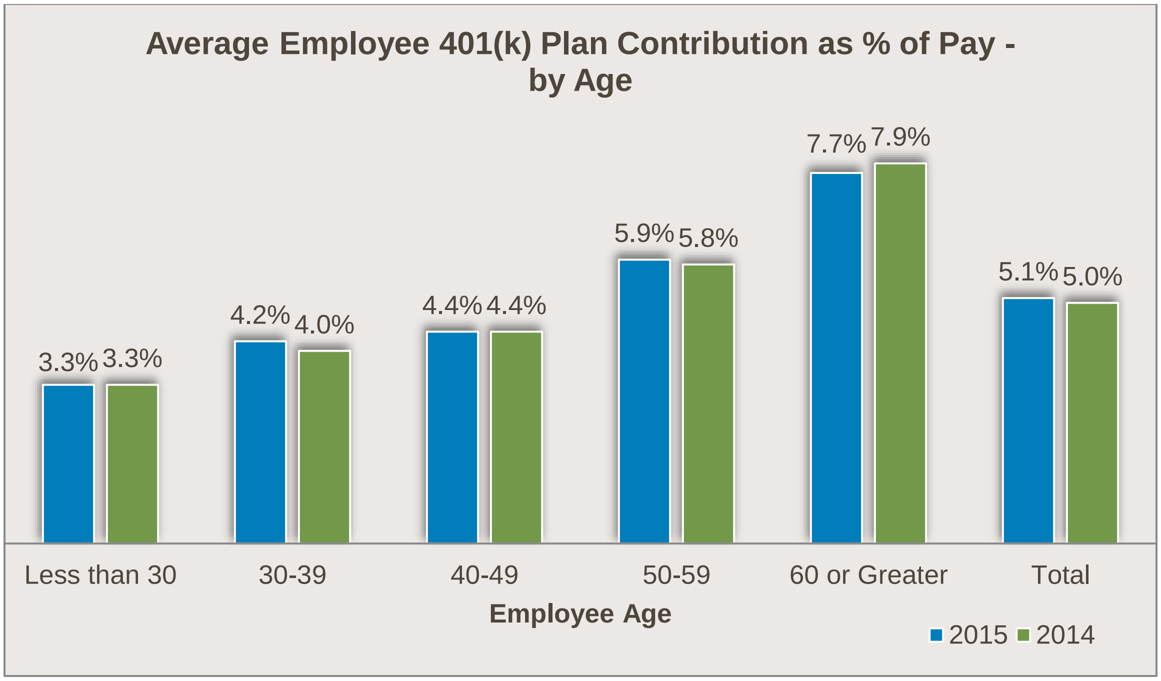


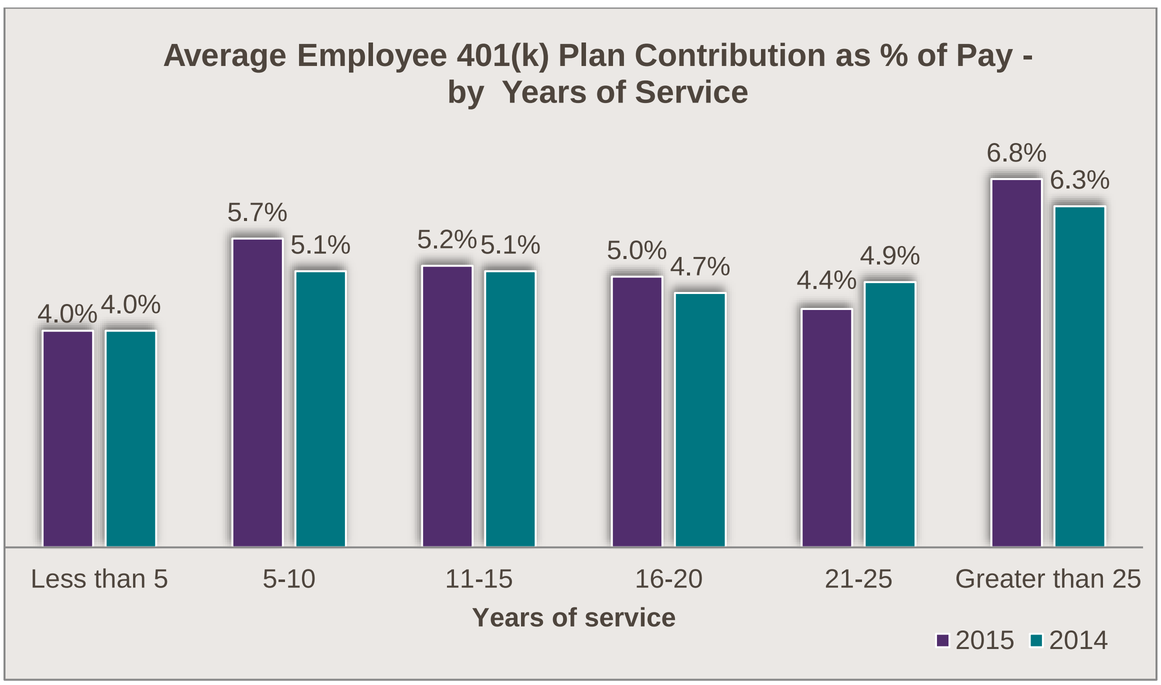

Source: Denver Water, Human Resources database; data as of year-end.




*Source: Denver Water, Human Resources database; data as of year-end.*




*Source: Denver Water, Human Resources database; data as of year-end.*

# C. DENVER WATER 457 DEFERRED COMPENSATION PLAN

## Schedule of Additions by Source, 2006-2015

| Fiscal Year Ending | Participant Contributions | Participant Rollovers | Employer Contributions[1] | Net Investment and Other Income[2] | Total |
|---|---|---|---|---|---|
| 2006 | 1,227,700 | - | N/A | 1,770,900 | 2,998,600 |
| 2007 | 1,429,700 | - | N/A | 1,877,300 | 3,307,000 |
| 2008 | 1,313,500 | - | N/A | (4,543,700) | (3,230,200) |
| 2009 | 1,302,800 | - | N/A | 3,334,200 | 4,637,000 |
| 2010 | 1,437,700 | - | N/A | 2,326,100 | 3,763,800 |
| 2011 | 1,580,600 | 1,900 | N/A | 252,400 | 1,834,900 |
| 2012 | 1,707,900 | 12,200 | N/A | 2,257,800 | 3,978,000 |
| 2013 | 1,839,600 | 110,200 | 23,000 | 3,936,700 | 5,909,500 |
| 2014 | 1,878,600 | 9,400 | 35,000 | 1,752,100 | 3,675,100 |
| 2015 | 2,187,500 | 82,100 | 36,000 | 339,600 | 2,645,200 |

*Source: Financial Statements for Denver Water 457 Deferred Compensation Plan*

*[1] Employer's contribution also includes discretionary contributions, as described in the financial statements for the DC Plans.*

*[2] Investment and miscellaneous income (including realized and unrealized gains/losses) net of investment expense and participant advisory fees.*

## Schedule of Deductions by Type, 2006-2015

| | Deductions by Type | | | |
|---|---|---|---|---|
| Fiscal Year Ending | Benefit Payments | Administrative Expenses[1] | Participant investment advisory fees | Total |
| 2006 | 2,118,600 | 83,600 | - | 2,202,200 |
| 2007 | 3,065,400 | 60,400 | - | 3,125,800 |
| 2008 | 2,540,800 | 57,200 | - | 2,598,000 |
| 2009 | 2,500,700 | 54,300 | - | 2,555,000 |
| 2010 | 2,692,400 | 49,900 | - | 2,742,300 |
| 2011 | 2,987,700 | 23,000 | - | 3,010,700 |
| 2012 | 1,956,500 | 23500 | 1,200 | 1,981,200 |
| 2013 | 2,349,500 | 25,900 | 3,200 | 2,378,600 |
| 2014 | 1,642,900 | 28,400 | 5,600 | 1,676,900 |
| 2015 | 4,126,900 | 28,600 | 6,200 | 4,161,700 |

*Source: Financial Statements for Denver Water 457 Deferred Compensation Plan*

*[1] Includes imputed amount of investment and recordkeeping fees.*

## Schedule of Benefit Deductions from Net Assets by Type, 2006-2015

| Fiscal Year Ending | Retirement | Age 70 1/2 minimum | Termination of Employment | Hardship | Other[1] | Total Benefits |
|---|---|---|---|---|---|---|
| 2006 | 728,300 | 26,800 | 1,156,700 | - | 206,800 | 2,118,600 |
| 2007 | 2,094,600 | 28,300 | 862,700 | - | 79,800 | 3,065,400 |
| 2008 | 2,090,100 | 7,100 | 481,000 | - | (37,400) | 2,540,800 |
| 2009 | 1,846,700 | 0 | 337,600 | - | 316,400 | 2,500,700 |
| 2010 | 2,085,400 | 0 | 372,700 | - | 234,300 | 2,692,400 |
| 2011 | 2,761,200 | 24,300 | 152,700 | 8,000 | 41,500 | 2,987,700 |
| 2012 | 1,564,900 | 22,300 | 279,200 | 600 | 88,500 | 1,956,500 |
| 2013 | 2,147,600 | 11,100 | 100,700 | 17,100 | 73,000 | 2,349,500 |
| 2014 | 840,200 | 11,800 | 475,000 | 18,800 | 297,100 | 1,642,900 |
| 2015 | 1,262,500 | 0 | 2,572,000 | 2,100 | 279,500 | 4,116,100 |

*Source: Empower Retirement, Plan Disbursement Summary*

*[1]"Other" includes beneficiary payments, Qualified Domestic Relations Order (QDRO) payments, death claims, disability payments, early distributions and taxes withheld.*

## Schedule of Changes in Net Assets, 2006-2015

| Fiscal Year Ending | Total Additions | Total Deductions | Change In Net Assets | Net Assets Held in Trust, Beginning of Year | Net Assets Held in Trust, End of Year |
|---|---|---|---|---|---|
| 2006 | 2,998,600 | 2,202,200 | 796,400 | 27,729,100 | 28,525,500 |
| 2007 | 3,307,000 | 3,125,800 | 181,200 | 28,525,500 | 28,706,700 |
| 2008 | (3,230,200) | 2,598,000 | (5,828,200) | 28,706,700 | 22,878,500 |
| 2009 | 4,637,000 | 2,555,000 | 2,082,000 | 22,878,500 | 24,960,500 |
| 2010 | 3,763,800 | 2,742,300 | 1,021,500 | 24,960,500 | 25,982,000 |
| 2011 | 1,834,900 | 3,010,700 | (1,175,800) | 25,982,000 | 24,806,200 |
| 2012 | 3,977,900 | 1,981,200 | 1,996,600 | 24,806,200 | 26,802,900 |
| 2013 | 5,909,500 | 2,378,600 | 3,530,900 | 26,802,900 | 30,333,800 |
| 2014 | 3,675,100 | 1,676,900 | 1,998,200 | 30,333,800 | 32,332,000 |
| 2015 | 2,645,200 | 4,161,700 | (1,516,500) | 32,332,000 | 30,815,500 |

*Source: Financial Statements for Denver Water 457 Deferred Compensation Plan*

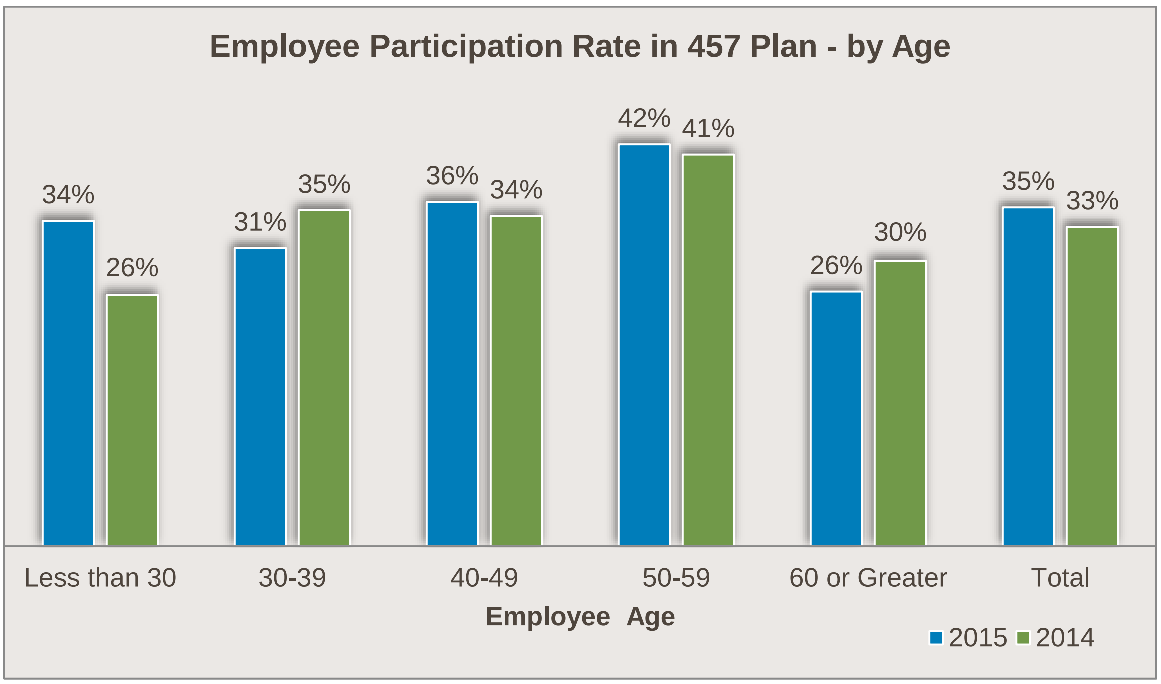
## Other Information

### Denver Water 457 Deferred Compensation Plan- Number of Participants

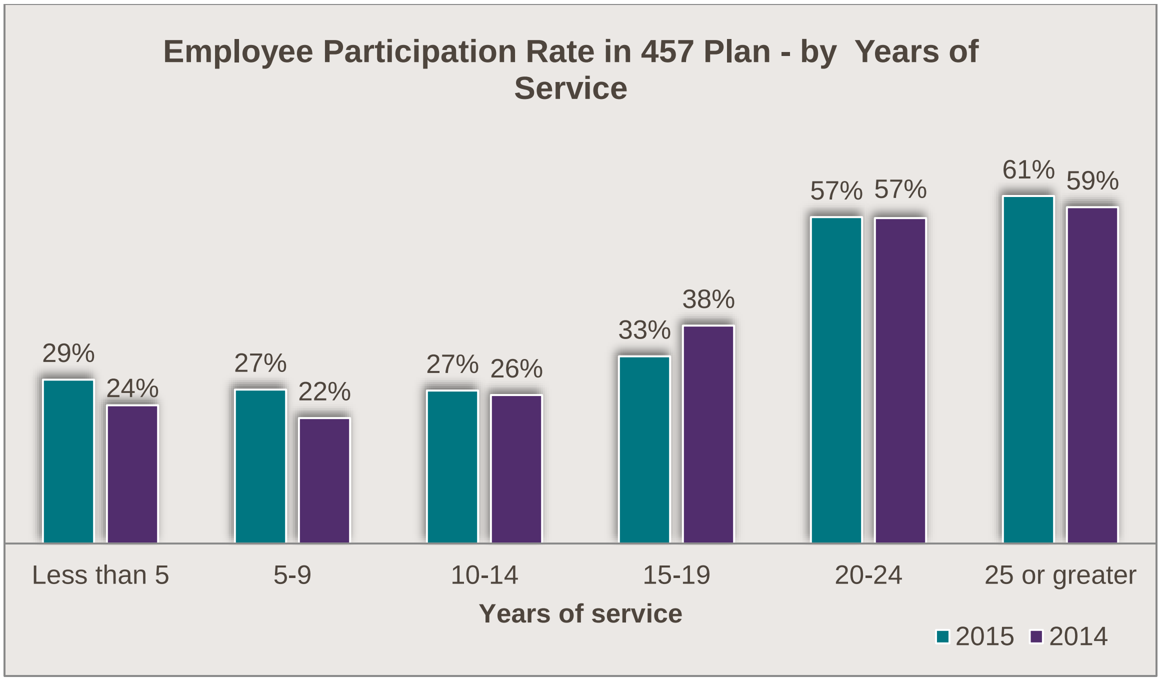
| Fiscal Year Ending | Participants[1] | | | |
|---|---|---|---|---|
| | Total | Active | Inactive | New Enrollments |
| 12/31/2006 | 807 | 351 | 456 | 13 |
| 12/31/2007 | 760 | 348 | 412 | 10 |
| 12/31/2008 | 730 | 336 | 394 | 24 |
| 12/31/2009 | 679 | 314 | 365 | 11 |
| 12/31/2010 | 636 | 278 | 358 | N/A |
| 12/31/2011 | 619 | 516 | 103 | N/A |
| 12/31/2012 | 607 | 495 | 112 | N/A |
| 12/31/2013 | 608 | 467 | 141 | N/A |
| 12/31/2014 | 621 | 476 | 145 | N/A |
| 12/31/2015 | 629 | 473 | 156 | N/A |

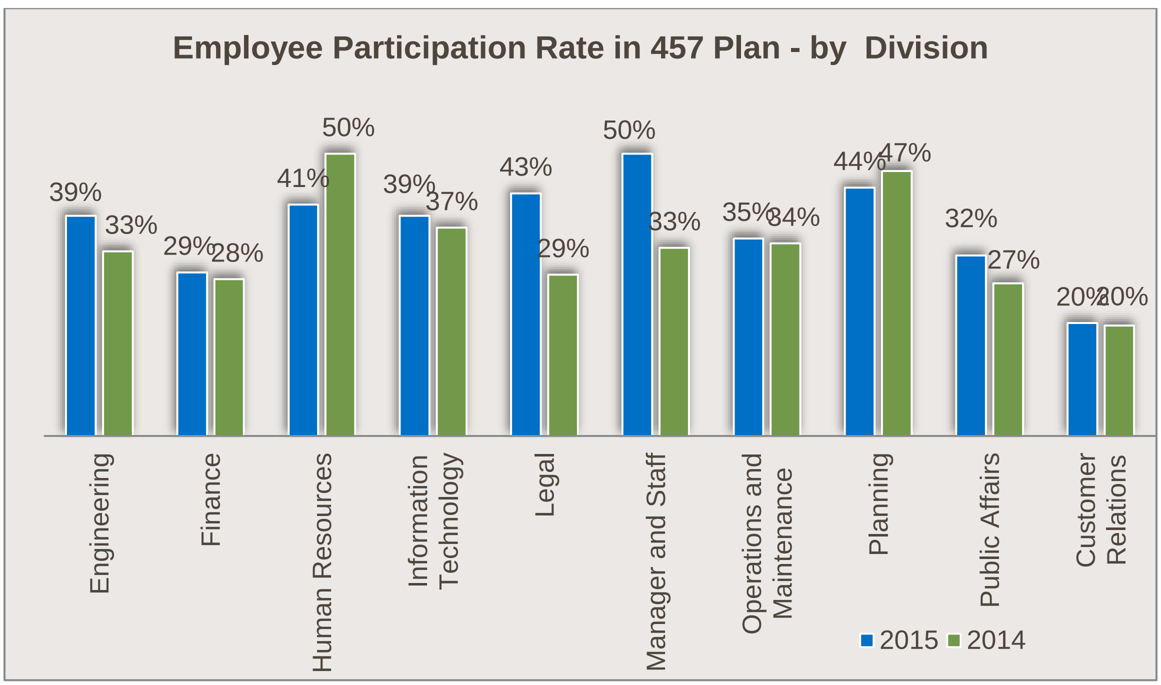
*Source: VALIC/ Empower*

*[1]Total participants are defined as those participants who had cash value at the end of the reporting period. Active participants are defined as those participants who were actively employed and had a balance at the end of the year. Inactive participants include plan participants who are no longer employed but have a balance.*




*Source: Denver Water, Human Resources database; data as of year-end.*

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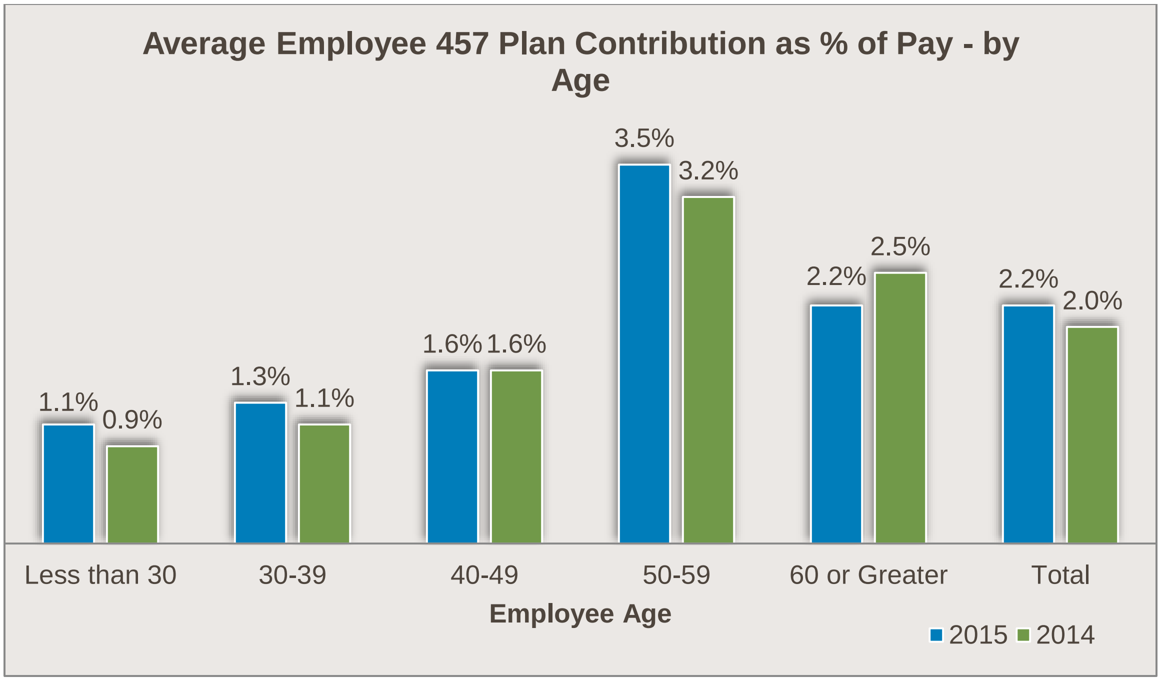


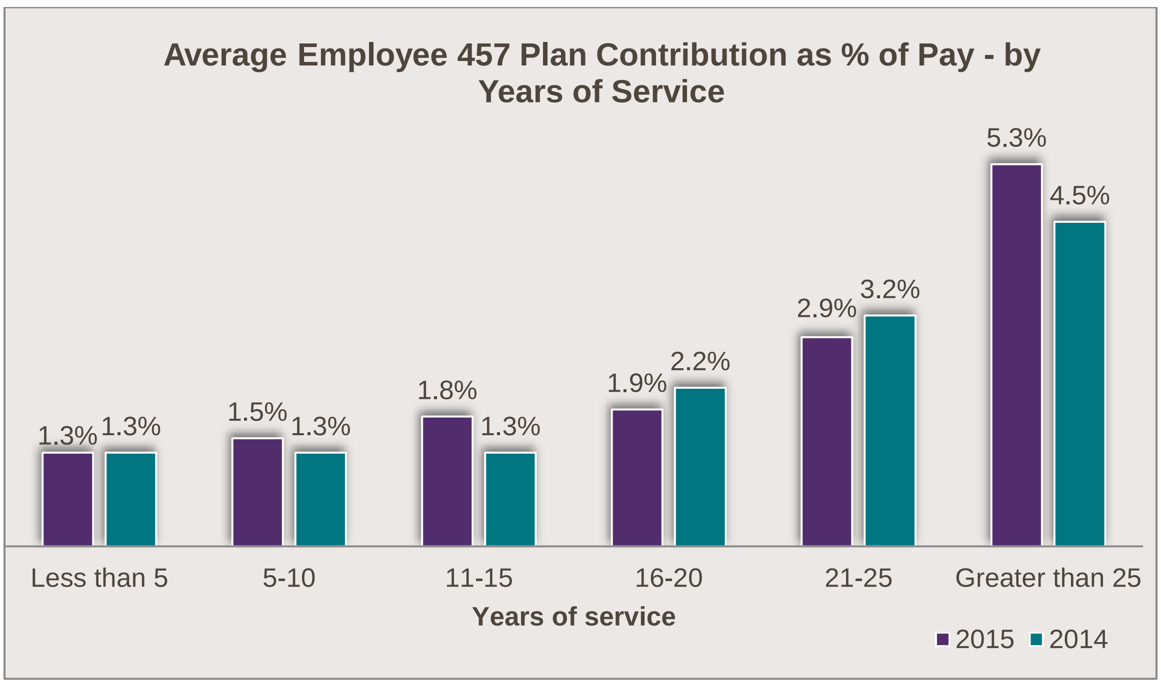


*Source: Denver Water, Human Resources database; data as of year-end.*