DENVER WATER 457 DEFERRED COMPENSATION PLAN

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

DENVER WATER 457 DEFERRED COMPENSATION PLAN

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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 fiduciary net position and statements of changes in fiduciary net position of the Denver Water 457 Deferred Compensation Plan (the Plan), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2018, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 19, 2018

DENVER WATER 457 DEFERRED COMPENSATION PLAN

Management's Discussion and Analysis

December 31, 2017 and 2016

(Unaudited)

This is an analysis and overview of the financial activities of the Denver Water 457 Deferred Compensation Plan (Plan) for the years ended December 31, 2017 and 2016. This information should be read in conjunction with the Plan financial statements and notes, which follow.

Financial Highlights

As of December 31, 2017 and 2016, respectively, $34.1 million and $32.5 million was held in trust for the payment of benefits to the Plan participants.

Total fiduciary net position increased by $1.6 million or 4.9% in 2017, which compares with an increase in 2016 of $1.7 million or 5.6%. The increase in 2017 was primarily due to the appreciation of fair values. The increase in 2016 was due to a combination of a decrease of benefits paid to participants and the appreciation of fair values.

In 2017, the Plan had net investment income of $4.4 million compared to $1.9 million in 2016. Participant contributions were approximately $2.0 million in 2017 and $2.1 million in 2016.

Deductions from fiduciary net position totaled $4.9 million in 2017 and $2.3 million in 2016 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, 2017, there were 391 participating employees in the Plan, which constituted 39% of all eligible Denver Water employees. This compares to 379 participating employees in the Plan, constituting 37% of all eligible employees in 2016. There were 993 employees eligible for the Plan as of December 31, 2017, compared to 1,017 as of December 31, 2016.

Overview of the Financial Statements

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

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

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

DENVER WATER 457 DEFERRED COMPENSATION PLAN

Management's Discussion and Analysis

December 31, 2017 and 2016

(Unaudited)

The above financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, Statement No. 67, *Financial Reporting for Pension Plans* (replacing GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB 50, *Pension Disclosures*), and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis–for State and Local Governments*, and all other applicable GASB pronouncements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The Plan's financial statements comply with all material requirements of these pronouncements.

These financial statements provide a snapshot of the 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. Deductions to the Plan are the result of benefit payments to participants, administrative expenses and participant investment advisory fees. Comparative financial schedules depict the changes between the years 2017, 2016 and 2015.

As of December 31, the Plan fiduciary net position was:

Fiduciary Net Position

(Amounts expressed in thousands)

	Years ended December 31			2017 – 2016		2016 – 2015	
	2017	**2016**	**2015**	**Increase (decrease)**	**Percent change**	**Increase (decrease)**	**Percent change**
Mutual funds	$ 25,363	22,680	21,342	2,683	11.8%	$ 1,338	6.3%
Commingled fund	8,019	8,796	8,982	(777)	(8.8)	(186)	(2.1)
Money market fund	490	788	236	(298)	(37.8)	552	233.9
Total investments	33,872	32,264	30,560	1,608	5.0	1,704	5.6
Receivables:							
Contributions	77	66	100	11	16.7	(34)	(34.0)
Participant loans	194	209	159	(15)	(7.2)	50	31.4
Other receivable	—	1	3	(1)	(100.0)	(2)	(66.7)
Total receivables	271	276	262	(5)	(1.8)	14	5.3
Total assets	34,143	32,540	30,822	1,603	4.9	1,718	5.6
Total liabilities	2	1	7	1	100.0	(6)	(85.7)
Fiduciary net position	$ 34,141	32,539	30,815	1,602	4.9%	$ 1,724	5.6%

Plan Activities

The increase to net position in 2017 was primarily due to the appreciation of the fair value of investments. The total increase in Plan net position was $1.6 million or 4.9%. In 2016, Plan net position increased by $1.7 million or 5.6%, as compared to 2015. Additional details for the change in net position are discussed on the following page.

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 2017 was $4.4 million as compared to $1.9 million in 2016.

Additions to Fiduciary Net Position

(Amounts expressed in thousands)

	Years ended December 31			2017 – 2016		2016 – 2015	
	2017	2016	2015	Increase (decrease)	Percent change	Increase (decrease)	Percent change
Participant contributions	$ 2,017	2,070	2,188	(53)	(2.6)%	$ (118)	(5.4)%
Employer contributions	—	36	36	(36)	(100.0)	—	—
Participant rollovers	33	2	82	31	1,550.0	(80)	(97.6)
Participant loan interest	9	8	2	1	12.5	6	300.0
Miscellaneous income	9	12	10	(3)	(25.0)	2	20.0
Net investment income	4,427	1,854	327	2,573	138.8	1,527	467.0
Total additions	$ 6,495	3,982	2,645	2,513	63.1%	$ 1,337	50.5%

Deductions

Benefits paid to participants of $4.9 million in 2017 and $2.2 million in 2016 represent the majority of the deductions from the Plan. Benefits paid to participants were 117.9% more in 2017 compared to 2016 and 16.0% less in 2016 compared to 2015. 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 2017 and 2016 were $25,900 and $22,700, respectively. Administrative fees are calculated based upon a percentage of the fair value of investments. In 2017, participant investment advisory fees were $5,500 as compared to $4,500 in 2016. Please refer to note 4 of the financial statements for information regarding administrative expenses.

Deductions from Fiduciary Net Position
(Amounts expressed in thousands)

	Years ended December 31			2017 – 2016		2016 – 2015	
	2017	**2016**	**2015**	**Increase**	**Percent change**	**(decrease)**	**Percent change**
Benefits paid to participants	$ 4,861	2,231	4,127	2,630	117.9%	(1,896)	(45.9)%
Administrative expenses	25	22	29	3	13.6	(7)	(24.1)
Participant investment advisory fees	6	5	6	1	20.0	(1)	(16.7)
Total deduction	$ 4,892	2,258	4,162	2,634	116.7%	(1,904)	(45.7)%

Requests for Information

This discussion and analysis is designed to provide a general overview of the fiduciary net position and changes in fiduciary net position as of December 31, 2017 and 2016 and for the years then ended. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Treasurer
Denver Water
1600 W. 12th Ave.
Denver, CO 80204

DENVER WATER 457 DEFERRED COMPENSATION PLAN

Statements of Fiduciary Net Position

December 31, 2017 and 2016

		2017	2016
Assets:			
Investments, at fair value:			
Mutual funds	$	25,363,300	22,680,100
Commingled fund		8,018,600	8,796,400
Money market fund		490,500	787,600
Total investments		33,872,400	32,264,100
Receivables:			
Participant contributions		77,000	66,400
Other receivable		—	700
Participant loans		193,900	209,200
Total receivables		270,900	276,300
Total assets		34,143,300	32,540,400
Liabilities:			
Accrued administrative expenses		1,500	1,200
Fiduciary net position	$	34,141,800	32,539,200

See accompanying notes to financial statements.

DENVER WATER 457 DEFERRED COMPENSATION PLAN

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2017 and 2016

	2017	2016
Additions:		
Investment income:		
Net appreciation in fair value of investments	$ 3,114,900	1,136,700
Dividends	1,311,600	717,600
Net investment income	4,426,500	1,854,300
Contributions:		
Participant contributions	2,017,100	2,069,700
Employer discretionary contributions	—	36,000
Participant rollovers	33,300	2,000
Total contributions	2,050,400	2,107,700
Other additions:		
Miscellaneous income	9,400	11,500
Participant loan interest	8,700	8,300
Total other additions	18,100	19,800
Total additions	6,495,000	3,981,800
Deductions:		
Benefits paid to participants	4,861,000	2,230,900
Administrative expenses	25,900	22,700
Participant investment advisory fees	5,500	4,500
Total deductions	4,892,400	2,258,100
Net increase	1,602,600	1,723,700
Fiduciary net position:		
Beginning of year	32,539,200	30,815,500
End of year	$ 34,141,800	32,539,200

See accompanying notes to financial statements.

(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 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 Chief Human Resources Officer and to the Chief Finance Officer. The delegation resolution instructs the CEO/Manager to create an advisory committee, with representation from the Finance, the Human Resources, and the Legal divisions, for the purpose of making recommendations to the CEO/Manager, the Chief Finance Officer and the Chief Human Resources Officer regarding the Retirement Program, including this 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. There were no discretionary contributions in 2017 and $36,000 of discretionary contributions in 2016. Employer contributions must be made no later than the last day of the Plan year for which the contribution is made. The employer may suspend, reduce or eliminate future employer contributions and may rescind such action at any time.

(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 fair 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 employer discretionary contribution, if any, for a Plan year is determined by the employer, and is 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 non-forfeitable. 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 December 2016, the Plan was amended to allow a specified dollar amount of the qualifying participant's discretionary employer contribution to become fully vested and non-forfeitable.

In the event of forfeitures due to termination of the qualifying participant prior to vesting the non-vested portion of the qualifying participant's discretionary employer contribution account will be used to pay Plan administrative expenses. Any excess, after paying Plan administrative expenses, will be allocated to participant accounts as employer contributions on the last day of the Plan year during the year of the forfeiture.

(e) Participant Loans

Only active 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 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.

(g) 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.

(h) 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.

(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.

(c) Income Recognition

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected as net appreciation or depreciation in fair value of investments in the accompanying statements of changes in fiduciary net position. This is determined as the difference between fair value at the beginning of the year (or date purchased during the year) and selling price or year-end fair value.

(d) Tax Status

The 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.

(3) Investments

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

		2017	2016
American Beacon Small CP Val Institutional	$	1,275	1,097
American Funds Washington Mutual		2,138	1,891
Baron Growth Institutional		854	427
Cohen & Streers Institutional Global Realty		246	200
Domini Impact Equity Institutional		—	368
Fidelity Global Ex US Index Premium		258	—
Fidelity Total Market Index Institutional		4,473	—
Fidelity US Bond Index Premium		250	—
Frost Total Return Bond Institutional		1,716	1,624
Galliard Retirement Income Fund		8,019	8,796
Harbor International Institutional		1,448	1,430
Northern Global Sustainability Index		352	—
PIMCO High Yield Institutional		938	838
T. Rowe Price Growth Stock Fund		—	3,256
T. Rowe Price Growth Stock Fund I		3,675	—
Vanguard Inflation Protected		373	462
Vanguard Institutional Index Fund		—	3,558
Vanguard Mid Cap Index		—	1,611
Vanguard Target Retirement 2010 Inv		—	5
Vanguard Target Retirement 2015 Inv		663	614
Vanguard Target Retirement 2020 Inv		803	699
Vanguard Target Retirement 2025 Inv		2,504	1,967
Vanguard Target Retirement 2030 Inv		236	164
Vanguard Target Retirement 2035 Inv		972	746
Vanguard Target Retirement 2040 Inv		254	169
Vanguard Target Retirement 2045 Inv		1,145	871
Vanguard Target Retirement 2050 Inv		96	53
Vanguard Target Retirement 2055 Inv		193	42
Vanguard Target Retirement 2060 Inv		37	261
Vanguard Target Retirement Income Inv		402	327
Vanguard Total Intl BD Idx Admiral		62	—
Vanguard Treasury Money Market Inv		490	788
Total investments	$	33,872	32,264

The Plan offered 25 mutual fund investment options (including 11 target date funds), one money market fund and one commingled fund as of December 31, 2017. In 2016, the Plan offered as investment options 26 mutual funds (including 12 target date funds), one money market fund and one commingled fund. The Plan's investments (including gains and losses on investments bought and sold, as well as income received on investments held during the year) during 2017 and 2016 generated investment income of approximately $4.4 million and $1.9 million, respectively.

(a) Fair Value Measurement

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

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

			Fair Value Measurements Using		
		December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level					
Mutual Funds	$	25,363	25,363	-	-
Commingled funds		8,019	-	8,019	-
Total investments by fair value level	$	33,382	25,363	8,019	-
Investments measured at amortized cost					
Money market funds	$	490			
Total investments measured at fair val	$	33,872			

		December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level					
Mutual Funds	$	22,680	22,680	-	-
Commingled funds		8,796	-	8,796	-
Total investments by fair value level	$	31,476	22,680	8,796	-
Investments measured at amortized cost					
Money market funds	$	788			
Total investments measured at fair val	$	32,264			

Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Funds classified in Level 2 of the fair value hierarchy are valued based on evaluated prices using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

(4) Administrative Expenses

The majority of investment options available to participants in the 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. Effective January 2016, the total fee for recordkeeping and communication services was reduced to 0.075% annually (0.00625% monthly). The fee is being calculated and withdrawn from all participant accounts on a monthly basis. Revenue generated from the funds which had revenue sharing arrangements with the recordkeeper (Frost Total Return Bond Institutional, Harbor International Institutional Fund, T. Rowe Price Growth Stock Fund, Northern Global Sustainability, Baron Growth Institutional and Cohen & Steers Institutional Global Realty) were credited to participants with account balances in the revenue-paying fund, based on the average daily balance of the participant's investment in such fund(s) for the month.

In 2017, all fees and fund credits were directly debited or credited from the participant’s account. In 2016, the unallocated account was no longer used to accumulate fees and fund credits and any fees or fund credits were directly debited or credited to the participant’s account based on their account balance. At the end of 2016, the remaining balance in the unallocated account of $700 was reclassified as other receivables and disbursed to Plan participants.

The assessed recordkeeping and communication fee for 2017 totaled $25,900. Revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was $9,400. The assessed recordkeeping and communication fee for 2016 totaled $22,700. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period was $9,100.

(5) Participant Investment Advisory Fees

The Plan participants may use an online investment advice tool or they can choose to have their account managed as an ancillary service available through the Plan recordkeeper. Participants who choose to use the online investment advice tool pay an annual fee assessed quarterly. Participants choosing to have their account managed pay an annual tiered fee, assessed quarterly, based on the participant’s account balance. In 2017 and 2016, total participant investment advisory fees paid were $5,500 and $4,500, respectively.

(6) Risks and Uncertainties

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the 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 of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. If 5% or more of the total assets of the 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 consist of diversified mutual funds, a commingled fund, and one money market 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 consist of diversified mutual funds and one commingled fund, and one money market fund and therefore do not have credit risk. The mutual funds, commingled fund, and money market fund have not been rated by any nationally recognized rating agency (Moody's, Fitch and Standard & Poor's rating agencies).

(d) Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Some of the mutual funds held by the 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 (years)	Average effective duration (years)	Average credit quality
Target date funds:			
Vanguard Target Retirement 2015 Inv	7.44	5.83	AA
Vanguard Target Retirement 2020 Inv	8.07	6.24	AA
Vanguard Target Retirement 2025 Inv	8.63	6.62	A
Vanguard Target Retirement 2030 Inv	8.63	6.62	A
Vanguard Target Retirement 2035 Inv	8.63	6.62	A
Vanguard Target Retirement 2040 Inv	8.63	6.62	A
Vanguard Target Retirement 2045 Inv	8.63	6.62	A
Vanguard Target Retirement 2050 Inv	8.63	6.62	A
Vanguard Target Retirement 2055 Inv	8.63	6.61	A
Vanguard Target Retirement 2060 Inv	8.63	6.62	A
Vanguard Target Retirement Income Inv	7.17	5.65	AA
Fixed income mutual funds:			
Fidelity US Bond Index	7.70	5.80	AA
Frost Total Return Bond Institutional	5.80	3.40	BBB+
PIMCO High Yield Institutional	5.30	3.40	AA
Vanguard Inflation Protected	8.50	7.90	AAA
Vanguard Total Intl Bd Index Admiral	9.20	7.80	A
Commingled funds:			
Galliard Retirement Income Fund	3.59	2.82	AA

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The 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 CP Val Institutional	$	36	2.85%
American Funds Washington Mutual		205	9.57
Baron Growth Institutional		18	2.12
Cohen & Streers Institutional Global Realty		116	46.98
Fidelity Global Ex US Index Premium		250	96.75
Fidelity Total Market Index Institutional		48	1.07
Fidelity US Bond Index Premium		24	9.56
Frost Total Return Bond Institutional		188	10.94
Harbor International Institutional		1,137	78.54
Northern Global Sustainability Index		146	41.48
PIMCO High Yield Institutional		120	12.75
T. Rowe Price Growth Stock Fund I		235	6.39
Vanguard Target Retirement 2015 Inv		211	31.90
Vanguard Target Retirement 2020 Inv		280	34.90
Vanguard Target Retirement 2025 Inv		919	36.70
Vanguard Target Retirement 2030 Inv		88	37.10
Vanguard Target Retirement 2035 Inv		365	37.60
Vanguard Target Retirement 2040 Inv		96	37.90
Vanguard Target Retirement 2045 Inv		437	38.20
Vanguard Target Retirement 2050 Inv		36	38.30
Vanguard Target Retirement 2055 Inv		74	38.20
Vanguard Target Retirement 2060 Inv		14	38.20
Vanguard Target Retirement Income Inv		118	29.30
Vanguard Total Intl BD Idx Admiral		56	90.81
Total	$	5,217	

(7) Plan Amendments

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

On April, 2017 the Plan was amended to allow employees to defer their paid time off (PTO) and any back pay in accordance with the IRS 457(b) requirements.

On December 14, 2016 the Plan was amended with an effective date for distributions after December 18, 2015, to allow rollover contributions from the Plan to a SIMPLE IRA.

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

Effective January 1, 2016, the Plan was amended to re-define the term compensation to include accumulated sick pay, accumulated vacation pay, and back pay. In addition, the Plan was amended to specify that leave cash-outs and regular pay paid after severance from employment are included in includible compensation.

Effective December 16, 2016, the Plan was amended to allow for special vesting of a qualifying participant's discretionary employer contributions to the Plan.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of fiduciary net position, and the related statements of changes in fiduciary net position of the Denver Water 457 Deferred Compensation Plan, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated April 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 19, 2018