DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors’ Report Thereon)

DENVER WATER SUPPLEMENTAL RETIREMENT
SAVINGS PLAN

Table of Contents

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position and statements of changes in fiduciary net position of the Denver Water Supplemental Retirement Savings Plan (the Plan), as of and for the years ended December 31, 2018 and 2017, 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 Plan'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 Plan'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, 2018 and 2017, 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 8, 2019, 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 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

Greenwood Village, Colorado
April 8, 2019

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Management's Discussion and Analysis

December 31, 2018 and 2017

(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, 2018 and 2017. This information should be read in conjunction with the financial statements and notes, which follow.

Financial Highlights

As of December 31, 2018, $100.8 million was held in trust for the payment of SRSP benefits to the participants as compared to $105.9 million in 2017. This represents a decrease in total SRSP fiduciary net position held in trust of $5.1 million or 4.9%.

Additions to the SRSP fiduciary net position for 2018 and 2017 included participant contributions of $4.4 and $4.3 million, respectively. Participant rollovers totaled $1.2 million in 2018 and $986 thousand in 2017. Total Denver Board of Water Commissioners (Board) matching contributions in 2018 and 2017 were $2.1 and $2.0 million, respectively. The Board also contributed an additional $4.8 million in 2017 due to a one-time non-elective contribution for the purpose of buying out employees' paid leave. The net investment loss for 2018 was $4.5 million compared to a net investment income of $14.3 million in 2017. The decrease in net investment income from 2017 to 2018 is primarily the result of market depreciation.

Total deductions from the SRSP fiduciary net position were $8.3 million in 2018 and $8.2 million in 2017. The deductions comprised retirement benefit payments of $8.2 million, participant investment advisory fees of $25,400, and administrative expenses of $83,900 in 2018. In 2017, the deductions comprised retirement benefit payments of $8.1 million, participant investment advisory fees of $26,100, and administrative expenses of $76,900. Total deductions in 2018 were 0.9% more than those in 2017.

The SRSP is a defined contribution plan and its purpose is to enable the participants to accumulate financial assets for their retirement. The Board matches 100% of employee contributions up to 3% of the participating employees' published hourly base pay and salary.

As of December 31, 2018, there were 859 employees contributing to the SRSP, or 90% of all eligible Denver Water employees. In comparison, as of December 31, 2017, there were 904 employees contributing to the SRSP, or 91% of all eligible Denver Water employees. There were 958 employees eligible to participate in the SRSP as of December 31, 2018 and 993 as of December 31, 2017.

Overview of the Financial Statements

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

1. Statements of Fiduciary Net Position

2. Statements of Changes in Fiduciary Net Position

3. Notes to Financial Statements

The Statements of Fiduciary Net Position present the SRSP assets, liabilities and fiduciary net position as of December 31, 2018 and 2017. The Statements of Changes in Fiduciary Net Position show the additions to and deductions from SRSP fiduciary net position during 2018 and 2017.

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

These financial statements provide a snapshot of the SRSP assets and liabilities as of December 31 and the activities which occurred during the years presented. Both financial statements were prepared using the accrual basis of accounting as required by GASB. All investment activities have been reported based on the trade dates and have been valued based on independent outside sources.

The Notes to Financial Statements provide additional information, which is essential to have a full understanding of the basic financial statements.

Financial Analysis

The following section provides further detail of the activities within the SRSP as well as additions and deductions to the Plan. Additions to the SRSP consist of participant and employer contributions, participant rollovers, interest income on outstanding participant loans, miscellaneous income and net investment income. Deductions to the Plan are the result of benefit payments to participants, administrative expenses, and participant investment advisory fees. Comparative financial schedules depict the changes between the years 2018, 2017 and 2016.

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

Fiduciary Net Position
(Amounts expressed in thousands)

	Years ended December 31			2018 – 2017		2017 – 2016	
	2018	2017	2016	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Mutual funds	$ 84,892	89,528	71,074	(4,636)	(5.2)%	$ 18,454	26.0%
Commingled fund	12,619	13,409	13,058	(790)	(5.9)	351	2.7
Money market fund	1,030	855	1,470	175	20.5	(615)	(41.8)
Total investments	98,541	103,792	85,602	(5,251)	(5.1)	18,190	21.2
Receivables:							
Contributions	267	235	244	32	13.6	(9)	(3.7)
Participant loans	1,953	1,929	1,920	24	1.2	9	0.5
Other receivable	—	—	2	—	—	(2)	(100.0)
Total receivables	2,220	2,164	2,166	56	2.6	(2)	(0.1)
Total assets	100,761	105,956	87,768	(5,195)	(4.9)	18,188	20.7
Total liabilities	—	8	5	(8)	(100.0)	3	60.0
Fiduciary net position	$ 100,761	105,948	87,763	(5,187)	(4.9)%	$ 18,185	20.7%

SRSP Activities

The fiduciary net position decreased by $5.2 million or 4.9% in 2018 and increased by $18.2 million or 20.7% in 2017. Additional details for the change in fiduciary net position are discussed on the following pages.

Additions

The money used to pay benefits is accumulated from the contributions made by the Board and each participant and from income generated by investments, including investment valuation appreciation, interest, and dividends. Earnings on investments are reported net of investment management expenses. The Board's matching contributions for 2018 and 2017 were $2.1 and $2.0 million, respectively. In 2016 the Board approved a new paid leave program in which, on a one-time basis only, any paid leave over an employees' target balance would be bought out by the employer and placed in the employees' retirement account. The increase in employer contributions from 2016 to 2017 of $4.8 million was due to a one-time non-elective employer contribution for the purpose of buying out the employees' paid leave. Net investment loss was $4.5 million in 2018 as compared to net investment income of $14.3 million in 2017. The decrease of net investment income from 2017 to 2018 was primarily due to market depreciation in fair value of investments.

Additions to Fiduciary Net Position
(Amounts expressed in thousands)

	Years ended December 31			2018 – 2017		2017 – 2016	
	2018	2017	2016	Increase (decrease)	Percentage change	Increase (decrease)	Percentage change
Employer contributions	$ 2,050	6,770	2,034	(4,720)	(69.7)	$ 4,736	232.8%
Participant contributions	4,352	4,259	4,484	93	2.2	(225)	(5.0)
Participant rollovers	1,154	986	1,155	168	17.0	(169)	(14.6)
Participant interest on loans	84	82	67	2	2.4	15	22.4
Miscellaneous income	16	24	25	(8)	(33.3)	(1)	(4.0)
Net investment income(loss)	(4,537)	14,299	5,858	(18,836)	(131.7)	8,441	144.1
Total additions	$ 3,119	26,420	13,623	(23,301)	(88.2)	$ 12,797	93.9%

Deductions

Benefits paid to participants during the year represent the majority of the deductions from the SRSP. In 2018 and 2017, benefits paid were $8.2 and $8.1 million, respectively, an increase of 0.8%. In comparison, benefits paid to participants increased 51.7% in 2017 over 2016. 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 $83,900 in 2018 and $76,900 in 2017. Administrative fees are calculated based upon a percentage of the fair value of investments. In 2018 and 2017, participant investment advisory fees were $25,400 and $26,100, respectively. Please refer to note 4 of the financial statements for a detailed explanation of SRSP administrative expenses.

Deductions from Fiduciary Net Position
(amounts expressed in thousands)

	Years ended December 31			2018 – 2017		2017 – 2016	
	2018	2017	2016	Increase	Percentage change	Increase (decrease)	Percentage change
Benefits paid to participants	$ 8,197	8,132	5,362	65	0.8%	$ 2,770	51.7%
Administrative expenses	84	77	62	7	9.1	15	24.2
Participant investment advisory fees	25	26	18	(1)	(3.8)	8	44.4
Total deductions	$ 8,306	8,235	5,442	71	0.9%	$ 2,793	51.3%

Requests for Information

This discussion and analysis is designed to provide a general overview of the SRSP fiduciary net position and changes in fiduciary net position as of December 31, 2018 and 2017 and for the years then ended. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Statements of Fiduciary Net Position

December 31, 2018 and 2017

Assets		**2018**	**2017**
Investments, at fair value:			
Mutual funds	$	84,891,500	89,527,700
Commingled fund		12,619,200	13,408,800
Money market fund		1,030,400	855,700
Total investments		98,541,100	103,792,200
Receivables:			
Employer contributions		86,300	76,900
Employee contributions		180,200	158,100
Participant loans		1,953,600	1,928,800
Total receivables		2,220,100	2,163,800
Total assets		100,761,200	105,956,000
Liabilities			
Accrued administrative expenses		—	7,500
Fiduciary net position	$	100,761,200	105,948,500

See accompanying notes to financial statements.

DENVER WATER SUPPLEMENTAL RETIREMENT SAVINGS PLAN

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2018 and 2017

		2018	2017
Additions:			
Investment income:			
Net appreciation (depreciation) in fair value of investments	$	(8,269,500)	10,133,100
Dividends		3,732,800	4,165,100
Net investment income(loss)		(4,536,700)	14,298,200
Contributions:			
Employer contributions		2,050,100	6,770,000
Participant contributions		4,352,100	4,259,200
Participant rollovers		1,154,000	986,300
Total contributions		7,556,200	12,015,500
Other additions:			
Miscellaneous income		15,500	24,000
Participant interest on loans		84,300	82,300
Total other additions		99,800	106,300
Total additions		3,119,300	26,420,000
Deductions:			
Benefits paid to participants		8,197,300	8,131,800
Administrative expenses		83,900	76,900
Participant investment advisory fees		25,400	26,100
Total deductions		8,306,600	8,234,800
Net increase(decrease)		(5,187,300)	18,185,200
Fiduciary net position:			
Beginning of year		105,948,500	87,763,300
End of year	$	100,761,200	105,948,500

See accompanying notes to financial statements.

(1) Plan Description

The Board of Water Commissioners, City and County of Denver, Colorado (the Board), adopted the Denver Water Supplemental Retirement Savings Plan in 1999. The Board operates a water utility created by the Charter of the City and County of Denver, Colorado.

The Board is made up of five members appointed by the Mayor of the City and County of Denver for staggered six-year terms. The Board is the sponsor of the Plan. The Board has delegated certain responsibilities regarding the Plan administration through a delegation resolution to the Chief Human Resources Officer and to the Chief Finance Officer. The delegation resolution instructs the CEO/Manager to create an advisory committee, with representation from the Finance, Human Resources, and Legal divisions, for the purpose of making recommendations to the CEO/Manager, the Chief Finance Officer and the Chief Human Resources Officer regarding the Retirement Program, including this SRSP. The advisory committee, in and of itself, has no decision-making authority.

The Board has engaged with Great West Life & Annuity Insurance Company d/b/a Empower Retirement (Empower Retirement) to provide recordkeeping and communication services for the Plan. The Board engages investment experts to monitor and recommend changes in the investment options included in the Plan.

The following description of the SRSP provides only general information. Participants and all others should refer to the SRSP agreement for a more complete description of the SRSP provisions.

(a) General

The SRSP is a defined contribution plan covering all regular and discretionary employees of Denver Water who have completed the required introductory period and is qualified under section 401(a) paragraph (k) in accordance with the regulations of the Internal Revenue Code of 1986, as amended (IRC). The purpose of the SRSP is to provide supplemental retirement and other related benefits for eligible employees. The SRSP and the trust established by the SRSP are maintained for the exclusive purpose of providing benefits to eligible employees and their beneficiaries, and for defraying reasonable administrative expenses. The SRSP provisions and contribution requirements are established and may be amended by the Board.

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

(b) Contributions

Each year a participant may contribute up to 97% of pretax annual compensation, but not less than $10 per pay period up to an annual maximum amount as codified by the Internal Revenue Service (IRS). Participants direct the investment of their contributions into various investment options offered by the SRSP. The Board makes a matching contribution in an amount equal to 100% of the first 3% of base compensation that each participant contributes to the SRSP. The SRSP was amended in 2013 to authorize employer discretionary contributions to qualifying participants. There were $28,250 of discretionary contributions in 2018 and no discretionary contributions in 2017.

Employer contributions must be made no later than the last day of the Plan year for which the contribution is made. The employer may suspend, reduce or eliminate future employer contributions and may rescind such action at any time. The matching contribution is allocated to the participants' accounts and is participant directed. Although it has not expressed any intent to do so, the Board may change the amount of or discontinue the matching or employer discretionary contribution at any time.

(c) Participant Accounts

Each participant's account reflects the cumulative amount of each participant's contribution along with the employer's matching and discretionary contribution including any income, gains, losses, or increases or decreases in fair value attributable to the investment of contributions, and further reflects any distributions to the participant or his or her beneficiary and any fees or expenses charged against the participant's account. The amount of the employer discretionary contribution, if any, for a Plan year is determined by the employer, and subject to Treasury Regulations under IRS Code §415 and 401(a)(17).

(d) Vesting

A participant's interest in his/her participant and employer matching contributions is fully vested and non-forfeitable.

In addition to the participant's and employer contributions, any discretionary contributions and earnings thereon to qualifying participants become fully vested upon completing seven years of service, the qualifying participant attaining the age of 65 while employed by the employer, by termination due to the qualifying participant's death or disability, by termination of employment due to serious health conditions of the qualifying participants spouse, and by termination, by the employer for reasons other than serious cause.

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

(e) Participant Loans

Only active employees who participate in the SRSP may request a loan and the participant must have a minimum vested account balance of $2,000.

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

The Plan offers two loan options to the participants. One is a General Purpose Loan that has a term of twelve to sixty (12-60) months. No reason or documentation, other than a signed promissory note, is required when a participant requests a General Purpose Loan. The other is a Principal Residence Loan that has a term of 72-180 months, must be utilized for the purchase of a primary residence only.

Participants are charged a loan origination fee that is deducted from the original loan amount as well as an annual administrative fee that is deducted quarterly from the participants account. Outstanding loans are assessed an interest rate of 1% over the prime rate published in the Wall Street Journal on the first business day of the month before the loan is originated. The interest rate for General Purpose Loans are fixed for the life of the loan. For more information regarding the loan policy, participants may refer to the Plan Document.

(f) Payment of Benefits

On termination of service, a participant with a balance of $1,000 or less will have the amount automatically distributed in a lump sum as soon as feasibly possible. A participant whose account is greater than $1,000 may elect to receive either a single lump-sum amount equal to the value of the participant's interest in his or her account at termination or take periodic distributions provided they meet minimum distribution requirements of IRC code section 401(a)(9). Distributions must start no later than age 70½. Participants may also specify that funds roll directly from their account to an eligible retirement plan. Upon the death of a participant, the account is paid to the participant's beneficiaries in a single lump sum.

(g) 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 SRSP. Trust services are provided by Orchard Trust Company, LLC, through a separate contract with the Board. Fees for the trust services are paid by the participants. Assets allocated to the various funds are managed by investment professionals hired by the fund.

(h) SRSP Termination

Though it has not expressed any intent to do so, the Board has the right under the SRSP to terminate the SRSP at any time with respect to any or all participants by resolution of the Board. Upon discontinuance of the SRSP, the account of each participant would remain fully vested and non-forfeitable.

(2) Summary of Significant Accounting Policies

(a) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(b) Basis of Accounting

The SRSP financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles that apply to governmental accounting for defined contribution plans. Contributions are recognized when earned without regard to the date of actual collection. Expenses are recognized when due and payable. Benefit payments and refunds are recognized upon distribution.

(c) Income Recognition

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

(d) Tax Status

The SRSP is intended to be an eligible employee retirement plan under Section 401(a) of the Code. The Board and the SRSP's tax counsel believe that it 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, 2018 and 2017 (amounts are expressed in thousands):

	2018	2017
American Beacon Small CP Val Institutional	$ 3,190	3,765
American Funds Washington Mutual	7,284	9,271
Arrowstreet Intl Equity ACWI Ex US Class A	3,680	—
Baron Growth Institutional	3,164	3,108
Cohen & Streers Institutional Global Realty	855	770
Fidelity Global Ex US Index	2,130	—
Fidelity Global Ex US Index Premium	—	1,378
Fidelity Total Market Index	16,402	—
Fidelity Total Market Index Institutional	—	17,666
Fidelity US Bond Index	1,416	—
Fidelity US Bond Index Premium	—	1,114
Frost Total Return Bond Institutional	5,219	4,486
Galliard Retirement Income Fund	12,619	13,409
Harbor International Institutional	—	5,167
Northern Global Sustainability Index	505	1,196
PIMCO High Yield Institutional	1,593	1,945
T. Rowe Price Growth Stock Fund I	6,831	8,344
Vanguard Inflation-Protected Secs Adm	2,306	1,585
Vanguard Target Retirement 2015 Inv	1,593	2,192
Vanguard Target Retirement 2020 Inv	2,313	2,166
Vanguard Target Retirement 2025 Inv	9,453	9,789
Vanguard Target Retirement 2030 Inv	1,352	808
Vanguard Target Retirement 2035 Inv	6,178	6,075
Vanguard Target Retirement 2040 Inv	1,825	1,569
Vanguard Target Retirement 2045 Inv	4,383	4,527
Vanguard Target Retirement 2050 Inv	410	273
Vanguard Target Retirement 2055 Inv	979	935
Vanguard Target Retirement 2060 Inv	467	356
Vanguard Target Retirement 2065 Inv	10	—
Vanguard Target Retirement Income Inv	896	765
Vanguard Total Intl BD Idx Admiral	458	277
Vanguard Treasury Money Market Inv	1,030	856
Total investments	$ 98,541	103,792

The SRSP offered 26 mutual funds (including 12 target date funds), one money market fund and one commingled fund as investment options as of December 31, 2018. In 2017, the SRSP offered 25 mutual funds (including 11 target date funds), one money market fund and one commingled fund as investment options. The net investment loss (including gains and losses on investments bought and sold, as well as income received on investments during the year) during 2018 was approximately $4.5 million. Comparatively, net investment income during 2017 was approximately $14.3 million.

(a) Fair Value Measurement

The SRSP has the following recurring fair value measurements as of December 31, 2018 and 2017:

Investments Measured at Fair Value
($ in thousands)

			Fair Value Measurements Using		
		December 31, 2018	**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	$	84,892	84,892	-	-
Commingled Funds		12,619	-	12,619	-
Total investments by fair value level	$	97,511	84,892	12,619	-
Investments measured at amortized cost					
Money market funds	$	1,030			
Total investments measured at fair value	$	98,541			

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

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

(4) Administrative Expenses

The majority of investment options available to participants in the SRSP are registered mutual funds. The dollar amount of fees paid by the SRSP for investment management and administrative services on these funds are not separately disclosed. The fees are calculated and withdrawn from all participant accounts on a monthly basis.

Revenue generated from the funds that had revenue sharing arrangements with the recordkeeper (Frost Total Return Bond Institutional, 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.

The assessed recordkeeping and communication fee for 2018 totaled $83,900. Revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was $15,500. The assessed recordkeeping and communication fee for 2017 totaled $76,900 and revenue sharing from 12(b)(1) fees reported by the recordkeeper for the same period was $24,000.

(5) Participant Investment Advisory Fees

The plan participants may choose to either manage their investments themselves, 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 2018 and 2017, total participant investment advisory fees paid were $25,400 and $26,100, respectively.

(6) Risks and Uncertainties

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the SRSP will not be able to recover its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the SRSP, and are held by either the counterparty or the counterparty's trust department or agent, but not in the SRSP name.

The SRSP investments are evidenced by mutual fund shares and commingled fund units. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, investments in mutual funds should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry-form. The SRSP investment is the mutual fund share and commingled fund unit, not the underlying security. Additionally, investments in open-end mutual funds are not subject to custodial credit risk disclosures.

(b) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. If 5% or more of the total assets of the SRSP are invested with one issuer then the investment is considered to have concentration risk. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from concentration of credit risk requirements. The SRSP investment options consist of diversified mutual funds, one commingled fund, and one money market fund and are not subject to and therefore do not have concentration risk.

(c) Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The SRSP investment policy does not specifically address the quality rating of the investments. Each participant is responsible for determining the risks and commensurate returns of their portfolio. The SRSP investment options consist of diversified mutual funds, one commingled fund, and one money market fund and therefore do not have credit risk. The mutual funds, commingled fund, and money market fund have not been rated by any nationally recognized rating agency (Moody's, Fitch and Standard & Poor's rating agencies).

(d) Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Some of the mutual funds held by the SRSP invest in debt instruments that are subject to interest rate risk. The schedule presented below provides an indication of the interest rate risk associated with the funds holding debt obligations as of the most recent information available:

Schedule of maturity, duration and credit quality

	Average effective maturity (years)	Average effective duration (years)	Average credit quality of underlying securities
Target date funds:			
Vanguard Target Retirement 2015 Inv	7.51	5.83	AA
Vanguard Target Retirement 2020 Inv	8.02	6.17	AA
Vanguard Target Retirement 2025 Inv	8.74	6.64	A
Vanguard Target Retirement 2030 Inv	8.74	6.64	A
Vanguard Target Retirement 2035 Inv	8.74	6.64	A
Vanguard Target Retirement 2040 Inv	8.74	6.64	A
Vanguard Target Retirement 2045 Inv	8.74	6.64	A
Vanguard Target Retirement 2050 Inv	8.74	6.65	A
Vanguard Target Retirement 2055 Inv	8.74	6.64	A
Vanguard Target Retirement 2060 Inv	8.75	6.65	A
Vanguard Target Retirement 2065 Inv	8.74	6.65	A
Vanguard Target Retirement Income Inv	7.32	5.71	AA
Fixed income mutual funds:			
Fidelity US Bond Index Premium	8.10	5.92	AA
Frost Total Return Bond Institutional	5.10	3.37	BB
PIMCO High Yield Institutional	5.75	3.65	BB
Vanguard Inflation-Protected Secs Adm	8.20	7.57	AAA
Vanguard Total Intl Bd Index Admiral	9.30	7.90	A
Commingled funds:			
Galliard Retirement Income Fund	3.59	2.51	AA

(e) Foreign Currency Risk

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

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

Schedule of assets invested in foreign securities

	Percentage of fund invested in foreign securities
American Beacon Small CP Val Institutional	2.86%
American Funds Washington Mutual	9.20
Arrowstreet INTL Equity ACWI Ex US Class A	97.90
Baron Growth Institutional	2.63
Cohen & Streers Institutional Global Realty	47.96
Fidelity Global Ex US Index	94.13
Fidelity Total Market Index	0.95
Fidelity US Bond Index	9.03
Frost Total Return Bond Institutional	14.39
Northern Global Sustainability Index	38.46
PIMCO High Yield Institutional	12.75
T. Rowe Price Growth Stock Fund I	6.17
Vanguard Target Retirement 2015 Inv	31.76
Vanguard Target Retirement 2020 Inv	34.64
Vanguard Target Retirement 2025 Inv	36.93
Vanguard Target Retirement 2030 Inv	37.20
Vanguard Target Retirement 2035 Inv	37.48
Vanguard Target Retirement 2040 Inv	37.78
Vanguard Target Retirement 2045 Inv	37.99
Vanguard Target Retirement 2050 Inv	37.96
Vanguard Target Retirement 2055 Inv	37.91
Vanguard Target Retirement 2060 Inv	37.99
Vanguard Target Retirement 2065 Inv	38.09
Vanguard Target Retirement Income Inv	30.04
Vanguard Total Intl BD Idx Admiral	96.71

(7) SRSP Amendments

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of fiduciary net position, and the related statement of changes in fiduciary net position of the Denver Water Supplemental Retirement Savings Plan (the Plan), as of and for the years ended December 31, 2018, and 2017, 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 8, 2019

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 opinions 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 Plan'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 results of that testing, and not to provide an opinion on the effectiveness of the Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 8, 2019