UNIVERSITY OF COLORADO HEALTH

Basic Financial Statements
For the Years Ended
June 30, 2017 and 2016
(With Independent Auditors' Report Thereon)

EKS&H

UNIVERSITY OF COLORADO HEALTH

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UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
($s in thousands)

This discussion and analysis of the financial performance of University of Colorado Health ("UCHealth" or the "Health System") provides an overall review of UCHealth's financial activities as of and for the years ended June 30, 2017 and 2016.

The Management's Discussion and Analysis is designed to focus on the current fiscal year while providing comparison information for the previous fiscal year, resulting changes, and currently known facts; therefore, please read it in conjunction with the Health System's basic financial statements.

UCHealth Overview

- Effective July 1, 2012, UCHealth was created through a joint operating agreement with Poudre Valley Health Care Inc. ("PVHS") and the University of Colorado Hospital Authority ("UCHA"). Together, UCHA and PVHS are member organizations in UCHealth. UCHealth previously applied for and received its 501(c)(3) designation from the IRS on June 29, 2013. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions.

- The initial term of the joint operating agreement is 50 years, with renewals or extensions anticipated. The agreement includes significant hurdles for termination other than by mutual agreement. Under the joint operating agreement, the members of the joint venture become members of the obligated group under each other's master trust indenture and, thereby, pledge their gross revenues to secure each member's obligations.

- UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board of Directors approves the operating and capital budgets of each entity throughout the system. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission, and oversight of other day-to-day operating activities.

- Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing Memorial Health System ("MHS"). UCHealth created the UCH-MHS entity to assume operations of MHS upon receipt of confirmation of exempt status from the IRS. The original lease is for a 40-year term, with renewals or extensions anticipated.

- Effective October 1, 2012, all employees of MHS became employees of UCHA. Effective January 4, 2013, all employees of PVHS became employees of UCHA. All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA.

- The acquisition cost of MHS to UCHealth was $400,000, with $290,000 paid in cash at closing and $110,000 in lease payments to be paid over 30 years. Effective October 1, 2012, a sublease agreement was executed with Children's Hospital Colorado to operate the pediatric units located at MHS and was valued at 15% of the organization. Children's Hospital Colorado paid the corresponding amount of the upfront payment and is responsible for its percentage of the ongoing lease payments to the City. The net acquisition cost to UCHealth after sublease to Children's Hospital Colorado was $340,000. On June 4, 2015, MHS became the licensed operator of the pediatric services and certain provisions of the sublease were temporarily suspended and replaced by a Management Services Agreement and Employee Lease between MHS and Children's Hospital Colorado. It is anticipated that the original provisions of the lease will be reinstated in the future when the new Children's Hospital facility is opened in Colorado Springs.

UCHealth Financial Highlights

- Inpatient volumes, measured in admissions and patient days, increased over 2016. Volumes include inpatient units at the five UCHealth hospital facilities: University of Colorado Hospital, Poudre Valley Hospital, Medical Center of the Rockies, Memorial Hospital Central, and Memorial Hospital North. Volumes exclude activity associated with the Center for Dependency, Addiction, and Rehabilitation ("CeDAR"); Mountain Crest residential activity and normal newborns. Admissions totaled 86,829, which was a 3.8% increase over 2016. Patient days totaled 399,085 for fiscal year 2017, a 5.1% increase over the prior year.

- Outpatient volumes, measured by clinic visits, were 2,923,341 in 2017, which was a 14.2% increase over 2016. This figure includes activity at the five hospital locations, various outpatient and urgent care clinics located throughout the primary service areas and activity performed by the UCHealth Medical Group.

- Net patient service revenue of $3,600,309 increased from 2016 by $375,074 or 11.6%. Total operating revenue in 2017 was $3,668,276. Total operating revenue consists of net patient revenue, grant revenue, and other revenue.

- Operating income was $494,222 during the fiscal year, which is a 6.2% increase over 2016 operating income of $465,207.

- According to Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHealth's basic financial statements. Operating income would be $443,367 in 2017 and $418,998 in 2016 if interest expense were included as an operating expense.

- Non-operating revenue and expenses in 2017 was a gain of $257,366, which is a $323,716 increase from 2016. This change was primarily generated from an increase in investment income and unrealized gain on derivative instruments.

- Income before distributions and contributions was $751,588 in 2017, which increased $352,731 from 2016. Restricted contributions totaled $4,026 for 2017.

- During fiscal year 2017, UCHealth continued implementation of a system-wide electronic medical record ("EMR") platform. The EMR system continues to go live in phases. $7,966 was incurred on this project during the year ended June 30, 2017 for additional functionality and software licenses.

- During fiscal year 2017, UCHA completed construction to build out the shelled floor and operating room space in the new patient tower, Anschutz Inpatient Pavilion 2. This project was approved to meet increased inpatient demand and help alleviate bed capacity constraints. It includes opening four inpatient floors, with 132 total beds and four operating rooms. $3,699 was incurred on this project during the year ended June 30, 2017.

- In December 2014, UCHA approved the project to renovate the Anschutz Outpatient Pavilion to convert non-clinical space within the building to exam and procedure rooms and renovate the vacated Emergency Department to function as outpatient clinics. $5,354 was incurred on this project during the year ended June 30, 2017.

UCHealth Financial Highlights (continued)

- In April 2014, PVHS approved the project to construct a new patient wing at Poudre Valley Hospital. This project was approved to update existing facilities and provide increased capacity for key service lines under constraint. The project has a total budgeted cost of $102,860 and was opened in fiscal year 2017. $45,103 was incurred on this project during the year ended June 30, 2017.

- In October 2014, MHS approved the project to upgrade and renovate Memorial Central Hospital. The project has a total budgeted cost of $39,166 and is expected to be completed in phases through the end of fiscal year 2018. $13,290 was incurred on this project during the year ended June 30, 2017.

- In October 2014, MHS approved the project to upgrade and expand Memorial North Hospital campus. The project had an original budgeted cost of $98,358, which was increased to $127,933 in February 2017. The project is expected to be completed in phases through the end of fiscal year 2019. $6,441 was incurred on this project during the year ended June 30, 2017.

- In March 2015, UCHealth approved the project to construct a hospital and Ambulatory Surgery Center in Longmont ("Longs Peak Hospital"). The project includes 53 hospital beds, shelled space for future hospital expansion, and six total operating or procedure rooms. The project has a total budget of $189,516 and is expected to be completed in fiscal year 2018. $115,138 was incurred on this project during the year ended June 30, 2017.

- In February 2016, UCHealth approved the project to construct a hospital, cancer center, and medical office building in Highlands Ranch. The project includes 72 hospital beds, shelled space for future hospital expansion, and seven total operating or procedure rooms. The project has a total budget of $314,433 and is expected to be completed in fiscal year 2019. $20,673 was incurred on this project during the year ended June 30, 2017.

- In May 2016, UCHealth approved the project to construct a hospital and medical office building in Greeley. The project includes 53 hospital beds, a medical office building, and six total operating or procedures rooms. The project has a total budget of $185,137 and is expected to be completed in fiscal year 2019. $6,183 was incurred on this project during the year ended June 30, 2017.

- In October 2016, UCHealth completed the acquisition of the Steadman Hawkins Clinic in Greenwood Village and Lone Tree. The clinic provides comprehensive orthopedic care and provides care to the professional sports teams in Denver. $8,011 was incurred on this acquisition during year ended June 30, 2017.

- In December 2016, UCHealth entered a forward-starting floating-to-fixed interest rate swap to coincide with a planned refunding of Series 2005 bonds. It is anticipated that the forward swap will hedge variable rate bonds issued in 2018 to current refund the fixed rate Series 2005 bonds ranging from 5.00% to 5.25% creating synthetic fixed rate debt. The swap agreement has an initial notional amount of $198,805 and a fixed payor rate of 1.81%, and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are to be made monthly starting in September 2018.

- In January 2017, UCHealth completed an annual ratings update with Moody's, Standard & Poor's, and Fitch Ratings to rate the member organizations. Moody's maintained UCHA and PVHS rating at Aa3 Stable. Standard & Poor's maintained UCHA and PVHS rating at AA- but revised the outlook to Stable. Fitch Ratings maintained UCHA ratings at AA- but revised the outlook to positive.

UCHealth Financial Highlights (continued)

- In February 2017, UCHA issued Series 2017A Revenue Bonds ("Series 2017A") in the amount of $152,075 to fully refund UCHA Series 2015A Revenue bonds. Series 2017A were issued as fixed rate bonds at a rate of 4.625% with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Concurrently, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of $152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHealth settles with the counterparty semi-annually each May and November. The swap agreement expires in March 2027.

- In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds ("Series 2017B") in the amounts of $57,685 and $57,125, respectively, to fully refund UCHA Series 2015B and Series 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2017, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

- In February 2017, UCHA issued Series 2017C-1 and Series 2017C-2 Revenue Bonds ("Series 2017C") in the amounts of $141,640 and $134,450, respectively, to finance new projects across UCHealth. Series 2017C-1 were issued as 3-year put bonds at a premium. Series 2017C-2 were issued as 5-year put bonds at a premium. Both series pay interest monthly and pay principal according to a mandatory sinking fund redemption schedule.

Overview of the Basic Financial Statements

- This discussion and analysis is intended to serve as an introduction to UCHealth's basic financial statements, which consist of the enterprise fund, including its blended component units, the pension trust fund, and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

- UCHealth has two types of funds: an enterprise fund that accounts for all transactions related to UCHealth hospitals, physician groups, and the foundations' business, and a fiduciary fund for UCHA's employee pension plan.

- The balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows are presented on an accrual basis, in accordance with accounting principles generally accepted in the United States of America. This information provides an indication of UCHealth's financial health. The balance sheets include all of UCHealth's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.

- Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. Required supplementary information relates to UCHA's progress in funding its obligation to provide pension benefits to its employees.

($s in thousands)

Financial Analysis and Results of Operations

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30 are summarized in Table 1 and are discussed below:

Table 1
University of Colorado Health
Balance Sheets

	2017	2016
Current assets	$ 987,837	$ 832,451
Capital assets, net of accumulated depreciation	1,994,673	1,805,206
Non-current assets and other assets	3,342,505	2,640,008
Total assets	6,325,015	5,277,665
Deferred outflows of resources	53,628	82,164
Total assets and deferred outflows of resources	$ 6,378,643	$ 5,359,829
Current liabilities	$ 801,179	$ 916,699
Long-term liabilities	1,864,097	1,482,101
Total liabilities	2,665,276	2,398,800
Deferred inflows of resources	5,817	4,409
Net position		
Invested in capital assets, net of related debt	114,671	202,767
Restricted		
Expendable		
Held by trustee for debt service	145,365	57,818
Restricted by donors	16,452	17,453
Non-expendable		
Permanent endowments	27,989	27,245
Minority interest in component unit	24,706	18,682
Unrestricted	3,378,367	2,632,655
Total net position	3,707,550	2,956,620
Total liabilities, deferred inflows of resources, and net position	$ 6,378,643	$ 5,359,829

Financial Analysis and Results of Operations (continued)

At June 30, 2017, UCHealth's total net position was $3,707,550, which is an increase in total net position of $750,930 or 25.4% from the prior year-end. UCHealth classifies net position as invested in capital assets, net of related debt, restricted, and unrestricted. Capital assets, net of related debt, increased during the fiscal year due to debt principal payments and additional capital expenditures. The unrestricted net position increase was driven primarily by strong operating performance and investment returns.

At June 30, 2017, UCHealth's cash and investment position was $3,451,048, which is an increase of $651,514 or 23.3% over June 30, 2016. Days cash on hand were 392.2 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 40.3 as of June 30, 2017.

($s in thousands)

Revenue and Expenses

Revenues, expenses, and change in net position are summarized in Table 2 and are discussed below:

Table 2
University of Colorado Health
Revenue, Expenses, and Changes in Net Position

	Fiscal Years Ended June 30,	
	2017	2016
Operating revenue		
Net patient service revenue	$ 3,600,309	$ 3,225,235
Other operating revenue	67,967	66,527
Total operating revenue	3,668,276	3,291,762
Operating expenses		
Wages, contract labor, and benefits	1,514,706	1,387,919
Supplies	762,071	662,072
Purchased services and other expenses	723,000	605,772
Depreciation and amortization	174,277	170,792
Total operating expenses	3,174,054	2,826,555
Operating income	494,222	465,207
Non-operating revenues and expenses		
Interest expense	(50,855)	(46,209)
Investment income	335,110	34,536
Unrealized gain (loss) on derivative investments	12,045	(12,040)
Gain on disposal of capital assets	327	290
Other, net	(39,261)	(42,927)
Total non-operating revenue and expenses	257,366	(66,350)
Income before distributions and contributions	751,588	398,857
Net distributions to and contributions from minority interest in component unit	(4,684)	(5,881)
Contributions restricted for capital assets	10	6
Contributions restricted, other	4,016	6,401
Change in net position	750,930	399,383
Total net position, beginning of year	2,956,620	2,557,237
Total net position, end of year	$ 3,707,550	$ 2,956,620

Net Patient Service Revenue

Net patient service revenue increased by $375,074 or 11.6% in 2017 compared to 2016. The detail of net patient revenue can be found in Note 4 of the basic financial statements.

UCHealth provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of these services was $59,499 and $53,865 in 2017 and 2016, respectively.

UCHealth maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which varies by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. The self-pay discounts and packages for 2017 and 2016 were approximately $134,155 and $111,306, respectively.

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public healthcare programs. The program became effective on January 1, 2010. For the year ended June 30, 2017, UCHealth was charged $129,620 in hospital provider fees, compared to $114,349 in 2016, and received $202,105 in 2017 in disproportionate share revenue as compensation for indigent and uninsured care services provided compared to $195,917 in 2016.

UCHealth benefits the community by providing programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHealth's communities for these programs was $259,586 in 2017, which is an increase of $36,168 over the 2016 benefit of $223,418, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating Expenses

Operating expenses were $3,174,054 in 2017. This was an increase of $347,499 or 12.3% in 2017 compared to 2016.

Wages, contract labor, and benefits expense of $1,514,706 was a $126,787 or 9.1% increase over the 2016 expense of $1,387,919. This includes a 10.4% increase in salaries, a 9.9% decrease in contract labor, and a 9.1% increase in benefits.

Medical and non-medical supplies expense of $762,071 increased by $99,999 or 15.1% in 2017. Purchased services and other expenses of $723,000 increased over 2016 by $117,228 or 19.4%.

Non-Operating Revenue and Expenses

Non-operating revenue and expenses are discussed below:

Interest Expense

In accordance with GASB Statement No. 34, UCHealth records interest expense as a non-operating expense. Interest expense in 2017 was $50,855 compared to $46,209 in 2016.

Investment Income

Equity and Fixed Income Investments

Non-operating gain from UCHealth's equity, fixed income, and cash investments was $335,110 in 2017 and $34,536 in 2016.

The equity portfolio gain was $306,251 in 2017 compared to a loss of $17,761 in 2016. Interest and dividend income on the portfolio was $21,860, and realized and unrealized gains on the portfolio were $284,391. The realized/unrealized gains were due to strong performance in the investment markets.

The fixed-income portfolio gain was $28,710 in 2017 compared to a gain of $53,031 in 2016. Interest and dividend income from the fixed income portfolio was $23,731. Realized and unrealized gains were $4,979 in 2017 compared to $30,915 in 2016. The decrease was due to rising interest rates.

Restricted investments from UCHealth Foundations generated gains of $3,868 and $392 in 2017 and 2016, respectively. Other investment income totaled $3,047 for fiscal year 2017, and investment expense was $6,766 for the year.

UCHealth utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. Interest rate swaps necessarily involve counterparty credit risk, and UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. UCHA is party to two floating-to-fixed payer swap agreements tied to the Series 2013A and 2013C Revenue Bonds. UCHealth is party to a forward-starting floating-to-fixed rate swap agreement to coincide with a planned refunding of Series 2005 bonds in September 2018 and is also party to a total return fixed-to-floating swap agreement tied to the Series 2017A Revenue Bonds. These agreements are used to create synthetic fixed rate bonds by converting the variable rates on those series to a fixed rate, reducing interest rate risk, or reducing the overall cost of capital. Therefore, cash flows on these agreements are recorded as interest expense. These agreements are discussed in greater detail in Note 7 to the basic financial statements.

Management presents portfolio performance reports to the Finance Committee of the UCHealth Board of Directors on a quarterly basis. Management meets regularly with UCHealth's investment advisor to review portfolio and investment manager performance and to identify and recommend changes to the investment strategy. The operating portfolio asset allocation has been modified to increase investment manager diversification and create different allocations to better align investment expectations with future liabilities. Investment expenses consist of fees paid to UCHealth's investment managers and advisor.

Other Non-Operating Expenses

Other net non-operating expenses were $39,261 in 2017 due to accruals for unrelated business income taxes due, donations made, and fundraising expenses.

($s in thousands)

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of depreciation and impairment, at June 30, 2017 and 2016 are summarized in Table 3 and are discussed below.

Table 3
University of Colorado Health
Capital Assets, Net of Depreciation and Impairment

	2017	2016
Land	$ 120,770	$ 108,863
Buildings and Improvements	1,299,708	1,241,110
Equipment	313,347	313,008
Construction in progress	260,848	142,225
Total	$ 1,994,673	$ 1,805,206

UCHealth had $1,994,673 invested in property, plant, and equipment, net of accumulated depreciation and impairment, at June 30, 2017 compared to $1,805,206 in 2016. This year's additions to capital assets in excess of $10,000 included the following:

PVHS new patient wing	$ 45,103
Memorial Hospital Central renovation	$ 13,290
Longs Peak Hospital	$ 115,138
Highlands Ranch Hospital	$ 20,673

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. UCHealth's annual capital budget, exclusive of the larger strategic projects, was $71,331 in 2017 and $80,748 in 2016. Cash flows related to capital expenditures totaled $367,913 in 2017, compared to $295,231 in 2016. Total depreciation expense on capital assets during 2017 was $174,277, compared to $170,792 in 2016. At June 30, 2017, the Health System had planned future capital spending of approximately $705,497 for ongoing significant strategic IT and facility expansion projects.

($s in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt

Long-term debt is summarized and discussed below.

Table 4
University of Colorado Health
Outstanding Long-Term Debt, Less Current Portion, at Year-End

		2017	2016
Combined	Capital leases	$ 22,726	$ 25,106
MHS	City of Colorado Springs lease agreement	98,563	101,111
Combined	Loan payable	3,853	4,032
PVHS	2005A Revenue Bonds	49,920	49,914
PVHS	2005B Revenue Bonds	82,837	82,828
PVHS	2005C Revenue Bonds	81,467	81,443
UCHA	2009A Revenue Bonds	39,610	42,135
UCHA	2011B Revenue Bonds	98,515	99,500
UCHA	2011C Revenue Bonds	44,705	50,915
UCHA	2012A Revenue Bonds	261,617	269,871
UCHA	2012B Revenue Bonds	50,000	50,000
UCHA	2012C Revenue Bonds	87,510	87,510
UCHA	2013A Revenue Bonds	88,720	90,695
UCHA	2013B Revenue Bonds	10,140	11,135
UCHA	2013C Revenue Bonds	63,825	65,305
UCHA	2015A Revenue Bonds	-	151,330
UCHA	2015B Revenue Bonds	-	57,405
UCHA	2015C Revenue Bonds	-	56,850
UCHA	2015D Revenue Bonds	199,100	199,100
UCHA	2017A Revenue Bonds	152,075	-
UCHA	2017B-1 Revenue Bonds	57,685	-
UCHA	2017B-2 Revenue Bonds	57,125	-
UCHA	2017C Revenue Bonds	299,081	-
	Less current portion	(29,653)	(27,822)
	Less long-term debt subject to short-term remarketing arrangements	(108,710)	(265,585)
		$ 1,710,711	$ 1,282,778

As of June 30, 2017, UCHealth had $1,710,711 in long-term debt, net of current portion, compared to $1,282,778 at June 30, 2016. In fiscal year 2017, UCHA issued:

- Series 2017A to fully refund the UCHA Series 2015A Revenue Bonds.

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

- Series 2017B-1 and 2017B-2 Revenue Bonds to fully refund UCHA series 2015B and 2015C Revenue Bonds. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2017, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

- Series 2017C-1 and Series 2017C-2 Revenue Bonds as a new money issuance to finance capital expenditures for UCHealth.

UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. For more information about the Health System's outstanding debt, please see Note 12 of the basic financial statements.

The maximum annual debt service coverage ratio was 7.63 and 8.55 at June 30, 2017 and 2016, respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 33.6% and 35.3% at June 30, 2017 and 2016, respectively, and bond covenants require an indebtedness ratio of less than 65.0%.

Economic Factors and Next Year's Activities, Budgets, and Rates

Demand for services at UCHealth facilities is anticipated to grow in the upcoming year. Growth at the Anschutz Medical Campus is expected to produce high occupancy rates in fiscal year 2018. Medical Center of the Rockies' growth is expected to continue to be strong. Poudre Valley Hospital and Memorial Hospitals are budgeted to have growth in the upcoming year. Additionally, UCHealth will open the new Longs Peak Hospital, and Yampa Valley Medical Center is anticipated to join the system in fiscal Year 2018.

UCHealth expects to maintain a stable payor mix. Continued growth in high-deductible benefit plans is anticipated, creating higher out-of-pocket costs for patients and a greater burden on UCHealth in managing receivables. UCHealth expects to remain in-network with all major payors in 2018.

The 2017-2018 budget, as approved by UCHealth's Board of Directors, projects operating revenue at $4,013,091 and an operating margin of 9.5%. EBITDA is budgeted at $631,539, with an EBITDA margin of 15.7% and an increase in net position of $450,957.

Requests for Information

This financial report is designed to provide a general overview of UCHealth's financial results for all those with an interest in the organization's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the UCHealth Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

UCHA, a component unit of UCHealth, issues a separate financial report. That report may be obtained by writing to UCHA Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
University of Colorado Health
Denver, Colorado

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund information of University of Colorado Health (the "Health System") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Health System'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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditors consider 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 opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund information of University of Colorado Health, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 1-12 and pension information on pages 76-78 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health System's basic financial statements. The combining financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

EKS&H LLLP

EKS&H LLLP

September 26, 2017
Denver, Colorado

UNIVERSITY OF COLORADO HEALTH

Balance Sheets
June 30, 2017 and 2016
($s in thousands)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 324,041	$ 93,142
Patient accounts receivable, less allowances for uncollectible accounts of $307,838 and $304,162, respectively	412,017	346,955
Other receivables	26,402	19,052
Inventories	66,371	61,458
Prepaid expenses	50,296	46,259
Investments designated for liquidity support	108,710	265,585
Total current assets	987,837	832,451
Non-current assets		
Restricted investments, bonds	145,365	57,818
Restricted investments, other	1,531	373
Restricted investments and pledges, donors	43,077	40,202
Capital assets, net of accumulated depreciation	1,994,673	1,805,206
Long-term investments	3,018,297	2,440,807
Other investments	100,935	65,567
Long-term prepaid expenses	8,898	9,367
Other assets	24,402	25,874
Total non-current assets	5,337,178	4,445,214
Total assets	6,325,015	5,277,665
Deferred Outflows of Resources		
Deferred amortization on refundings	6,419	6,873
Deferred amortization related to pension plan	32,297	72,361
Deferred amortization on acquisitions	14,912	2,930
Total deferred outflows of resources	53,628	82,164
Total assets and deferred outflows of resources	$ 6,378,643	$ 5,359,829

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Balance Sheets
June 30, 2017 and 2016
($s in thousands)

	2017	2016
Liabilities		
Current liabilities		
Current portion of long-term debt	$ 29,653	$ 27,822
Accounts payable and accrued expenses	320,479	287,430
Accounts payable - construction	41,357	35,994
Accrued compensated absences	72,704	65,679
Accrued interest payable	10,199	7,025
Fair value of derivative instruments	3,368	4,256
Estimated third-party settlements, net	214,709	222,908
Long-term debt subject to short-term remarketing arrangements	108,710	265,585
Total current liabilities	801,179	916,699
Long-term liabilities		
Long-term debt, less current portion	1,710,711	1,282,778
Fair value of derivative instruments, less current portion	27,373	38,530
Net pension liability	115,667	151,184
Other long-term liabilities	10,346	9,609
Total liabilities	2,665,276	2,398,800
Deferred Inflows of Resources		
Deferred amortization related to pension plan	5,817	4,409
Total deferred inflows of resources	5,817	4,409
Total liabilities and deferred inflows of resources	2,671,093	2,403,209
Net Position		
Invested in capital assets, net of related debt	114,671	202,767
Restricted		
Expendable		
Held by trustee for debt service	145,365	57,818
Restricted by donors	16,452	17,453
Non-expendable		
Permanent endowments	27,989	27,245
Minority interest in component unit	24,706	18,682
Unrestricted	3,378,367	2,632,655
Total net position	3,707,550	2,956,620
Total liabilities, deferred inflows of resources, and net position	$ 6,378,643	$ 5,359,829

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Revenue, Expenses, and Changes in Net Position
Years Ended June 30, 2017 and 2016
($s in thousands)

	2017	2016
Operating revenue		
Net patient service revenue, net of provision for bad debts of $146,948 and $127,098, respectively	$ 3,600,309	$ 3,225,235
Other operating revenue	67,967	66,527
Total operating revenue	3,668,276	3,291,762
Operating expenses		
Wages, contract labor, and benefits	1,514,706	1,387,919
Supplies	762,071	662,072
Purchased services and other expenses	723,000	605,772
Depreciation and amortization	174,277	170,792
Total operating expenses	3,174,054	2,826,555
Operating income	494,222	465,207
Non-operating revenue and expenses		
Interest expense	(50,855)	(46,209)
Investment income	335,110	34,536
Unrealized gain (loss) on derivative instruments	12,045	(12,040)
Gain on disposal of capital assets	327	290
Other, net	(39,261)	(42,927)
Total non-operating revenue and expenses	257,366	(66,350)
Income before distributions and contributions	751,588	398,857
Net distributions to and contributions from minority interest in component unit	(4,684)	(5,881)
Contributions restricted for capital assets	10	6
Contributions restricted, other	4,016	6,401
Change in net position	750,930	399,383
Total net position, beginning of year	2,956,620	2,557,237
Total net position, end of year	$ 3,707,550	$ 2,956,620

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows
Years Ended June 30, 2017 and 2016
($s in thousands)

	2017	2016
Cash flows from operating activities		
Cash received from patients and third-party payors	$ 3,516,665	$ 3,277,776
Cash payments to suppliers for goods and services	(1,526,016)	(1,363,171)
Cash payments to employees/other on behalf of employees	(1,421,767)	(1,278,187)
Other cash payments	(43,056)	(48,384)
Other cash received	54,095	49,279
Net cash provided by operating activities	579,921	637,313
Cash flows from capital and related financing activities		
Proceeds from long-term debt	302,678	-
Principal payments under capital lease obligations	(6,212)	(6,593)
Principal repayments of long-term debt	(21,729)	(20,581)
Payments of interest and issuance costs on long-term debt	(52,833)	(47,299)
Capital expenditures	(367,913)	(295,231)
Receipt of contributions	4,134	16,067
Distributions to minority interest in component unit	(4,684)	(5,881)
Proceeds from sale of capital assets	2,104	1,725
Net cash used in capital and related financing activities	(144,455)	(357,793)
Cash flows from investing activities		
Investment income	61,694	40,827
Distributions from joint ventures	12,335	10,446
Proceeds from sale and maturities of investments	1,894,084	2,182,099
Purchases of investments	(2,172,680)	(2,639,922)
Net cash used in investing activities	(204,567)	(406,550)
Net increase (decrease) in cash and cash equivalents	230,899	(127,030)
Cash and cash equivalents, beginning of year	93,142	220,172
Cash and cash equivalents, end of year	$ 324,041	$ 93,142
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 494,222	$ 465,207
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	174,277	170,792
Provision for bad debts	146,948	127,098
Increase in patient accounts receivable	(212,010)	(135,343)
Increase (decrease) in estimated third-party settlements	(8,199)	64,812
Increase in other receivables	(7,350)	(719)
Increase in inventories	(4,913)	(8,108)
Change in net pension liability and pension-related deferred inflows and outflows of resources	5,955	10,765
Increase in prepaid expenses	(4,037)	(8,150)
Decrease (increase) in other assets	1,472	(2,318)
Increase in accounts payable and accrued expenses	33,049	4,491
Increase in accrued compensated absences and other long-term liabili	7,762	5,924
Equity income from joint ventures	(7,994)	(14,211)
Other cash payments	(39,261)	(42,927)
Total adjustments	85,699	172,106
Net cash provided by operating activities	$ 579,921	$ 637,313

(Continued on the following page)

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows
Years Ended June 30, 2017 and 2016
($s in thousands)

(Continued from the previous page)

	2017	2016
Non-cash transactions		
Donated pharmaceuticals	$ 10,383	$ 4,026
Construction in progress accrued	$ 41,357	$ 35,994
Unrealized gain (loss)	$ 270,119	$ (64,603)
Capital leases and mortgages executed	$ 1,284	$ -
Refunding of debt	$ 265,585	$ 200,180

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position
June 30, 2017 and 2016
($s in thousands)

	2017	2016
Assets		
Investments	$ 710,102	$ 578,346
Net Assets		
Restricted for pension benefits	$ 710,102	$ 578,346

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2017 and 2016
($s in thousands)

	2017	2016
Additions		
Contributions	$ 74,356	$ 68,000
Investment income		
(Decrease) increase in fair value of investments	63,898	(16,941)
Interest	1,233	970
Dividends and other	13,479	15,495
Investment (loss) income	78,610	(476)
Total additions	152,966	67,524
Deductions		
Benefits	19,464	14,047
Administrative expenses	1,746	1,464
Total deductions	21,210	15,511
Change in net position	131,756	52,013
Net position, beginning of year	578,346	526,333
Net position, end of year	$ 710,102	$ 578,346

See accompanying notes to the basic financial statements.

(1) Organization and Mission

Effective July 1, 2012, University of Colorado Health ("UCHealth" or the "Health System"), a newly formed non-profit corporation, entered into a joint operating agreement with the University of Colorado Hospital Authority and Poudre Valley Health Care Inc. (collectively, the "members"), resulting in a joint venture among the members. The Health System's mission is "to improve lives in big ways through learning, healing and discovery; in small, personal ways through human connection; but in all ways, we improve lives." The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions. As a joint venture, all future operations of the members are combined, and together these combined operations will be the basis for possible future expansion and diversification of the Health System. Under the joint operating agreement, the members of the joint venture become members of the obligated group under each other's master trust indenture and, thereby, pledge their gross revenues to secure each member's obligations. UCHealth is financially accountable for the University of Colorado Hospital Authority, Poudre Valley Health Care Inc., and the Memorial Health System, which are reported as blended component units of the Health System. The Health System's component units are as follows:

- **University of Colorado Hospital Authority ("UCHA")** was created pursuant to Section 23-21-503 of the Colorado Revised Statutes and is a political subdivision and body corporate of the State of Colorado. UCHA owns and operates a 673-licensed-bed, non-sectarian, general acute care hospital; the Anschutz Centers for Advanced Medicine, which include the Anschutz Outpatient Pavilion, the Anschutz Inpatient Pavilion 1, the Anschutz Inpatient Pavilion 2, the Anschutz Cancer Pavilion, the Center for Dependency, Addiction and Rehabilitation ("CeDAR"), and the Rocky Mountain Lions Eye Institute; six outlying outpatient primary care clinics; twelve outlying specialty clinics; and the University of Colorado Hospital Foundation. These combined entities are collectively known as UCHA. UCHA is the primary teaching hospital for the University of Colorado Denver ("UCD"), which is comprised of the Schools of Medicine, Nursing, Pharmacy, and Dentistry; the Graduate School; and the School of Public Health. UCHA issues a separate financial report. That report may be obtained by writing to UCHA, Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

    - The **University of Colorado Hospital Foundation (the "UCHA Foundation")** is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (the "Code"). The UCHA Foundation serves as the primary fundraising arm for UCHA and manages restricted and unrestricted donations received for future use by UCHA. Although UCHA does not control the timing or amount of receipts from the UCHA Foundation, the majority of the resources, or income thereon, is restricted to the activities of UCHA by the donors. Because these restricted resources held by the UCHA Foundation can only be used by or for the benefit of UCHA and because the UCHA Foundation exists for the sole benefit of UCHA, the UCHA Foundation is considered a blended component unit of UCHA. All inter-entity transactions have been eliminated in the basic financial statements.

- **Poudre Valley Health Care Inc. ("PVHS")** is a tax-exempt organization under Section 501(c)(3) of the Code. PVHS operates two hospital facilities as follows, which are considered blended component units of PVHS, because their activities are significantly intertwined with PVHS:

    - **Poudre Valley Hospital ("PVH")**, a 234-licensed-bed, non-sectarian, general acute care hospital, which includes Mountain Crest Behavioral Health Services, a behavioral health facility in Fort Collins, Colorado.

(1) Organization and Mission (continued)

- **Medical Center of the Rockies ("MCR")**, a 174-licensed-bed, non-sectarian, general acute care hospital. MCR is a tax-exempt organization under Section 501(c)(3) of the Code.

- **Poudre Valley Health System Foundation (the "PVHS Foundation")** is a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of PVH, MCR, and affiliated organizations.

- PVHS is also the sole member of Lakota Lake, LLC; PVHS/Timberline, LLC; United Medical Alliance, which was dissolved in February 2016; Heron Lake, LLC; and Innovation Enterprises, LLC. Each of these entities is considered a blended component unit of PVHS, because their activities are significantly intertwined with PVHS.

- **UCHealth Medical Group (North)** is a physician group and is considered a blended component unit of PVHS, because its activities are significantly intertwined with PVHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.

- **Memorial Health System ("MHS")** – Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs was executed with the purpose of leasing MHS. UCHA created the UCH-MHS entity to assume operations of MHS upon receipt of confirmation of exempt status from the IRS, which occurred on August 1, 2014. The original lease is for a 40-year term, with renewals or extensions anticipated. UCHA guarantees MHS's obligations under the lease, and the gross revenues of MHS are pledged to secure the obligations under each member's master trust indenture. Therefore, MHS is considered a blended component unit of the Health System. The operations of MHS are as follows:

  - **Memorial Hospital Central**, a 583-licensed-bed, non-sectarian, general acute care hospital.

  - **Memorial Hospital North**, an 88-licensed-bed, non-sectarian, general acute care hospital.

  - **UCHealth Medical Group (South)** is a physician group and is considered a blended component unit of MHS, because its activities are significantly intertwined with MHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **Memorial Hospital Corporation** is a non-profit corporation that is controlled by MHS and considered a blended component unit of MHS.

- UCHealth is the sole member of **UCHealth Plan Administrators, LLC ("UCHPA")**, a third-party administrator delivering a comprehensive services suite to partially self-funded benefit plan arrangements to employers. UCHPA is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.

- UCHealth is the 75% member of **ICHealth, LLC ("ICHealth")**, a partnership organized in 2017 to qualify and operate as an accountable care organization participating in the Medicare Shared Savings Program, support improvements in high-quality care through population management techniques, and contain the total costs of care. ICHealth is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.

(1) Organization and Mission (continued)

- **Community Division ("CD")** is made up of the following operations, which are considered blended component units of UCHealth because their activities are significantly intertwined with UCHealth:
  - **Longs Peak Hospital ("LPH")**, which is currently under construction, will be a non-sectarian, general acute care hospital. LPH is a tax-exempt organization under Section 501(c)(3) of the Code.
  - **Highlands Ranch Hospital ("HRH"),** which is currently under construction, will be a non-sectarian, general acute care hospital.
  - **Longs Peak Surgery Center LLC** is an ambulatory surgery center that began operations in 2016.
  - **UCHealth Medical Group (Longmont)** is a physician group that joined the Health System effective January 1, 2015. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
  - **UCHealth Medical Group (Metro Denver)** is a physician group made up of newly acquired and opened physician practices in the Metro Denver area. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
  - **UCHealth Community Services** was formed in 2017 as a Colorado non-profit corporation to operate outpatient healthcare facilities, such as multi-specialty clinics, physical therapy clinics, and imaging facilities.
  - **UCHealth Emergency Physician Services** was formed in 2017 as a Colorado limited liability company to provide emergency physician services and the services of other healthcare staff to emergency departments.

Memorial Health System Foundation (the "MHS Foundation") is a not-for-profit organization formed for the benefit of MHS. Fundraising efforts for the benefit of MHS are undertaken by the MHS Foundation. However, the assets held by the Foundation remained assets of the MHS Foundation and were not transferred to MHS under either the Integration and Affiliation Agreement or the Health System Operating Lease Agreement. Therefore, the MHS Foundation is not reported as a component unit of MHS.

The accompanying basic financial statements reflect the operations and financial position of the Health System, its component units, and its fiduciary (pension trust) fund. The Health System is not an agency of the state government and is not subject to administrative direction or control by the Regents of the University of Colorado (the "Regents") or any department, commission, board, or agency of the state. The Health System is not financially accountable to the Regents. Two of the eleven members of the Health System's Board of Directors (the "Board") are appointed by the President of the University of Colorado.

($s in thousands)

(2) Condensed Combining Information

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of each major blended component unit at June 30, 2017 and 2016 are summarized in Tables 1 and 2, respectively.

Table 1
Condensed Combining Information
Balance Sheet as of June 30, 2017

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	$ 160,588	$ 111,110	$ 8,630	$ (280,328)	$ -
Other current assets	541,979	276,938	126,532	42,388	987,837
Capital assets, net of accumulated depreciation	864,952	439,871	334,319	355,531	1,994,673
Non-current receivables from affiliates	770,503	-	-	(770,503)	-
Non-current assets and other assets	1,739,307	1,304,986	127,773	170,439	3,342,505
Total assets	4,077,329	2,132,905	597,254	(482,473)	6,325,015
Deferred outflows of resources	22,596	7,907	13,416	9,709	53,628
Total assets and deferred outflows of resources	$ 4,099,925	$ 2,140,812	$ 610,670	$ (472,764)	$ 6,378,643
Liabilities					
Current payables to affiliates	$ -	$ 6,691	$ 4,456	$ (11,147)	$ -
Other current liabilities	405,827	146,258	134,386	114,708	801,179
Non-current payables to affiliates	-	201,967	329,272	(531,239)	-
Other long-term liabilities	1,496,522	249,075	105,538	12,962	1,864,097
Total liabilities	1,902,349	603,991	573,652	(414,716)	2,665,276
Deferred inflows of resources	4,719	(742)	2,690	(850)	5,817
Net position					
Invested in capital assets, net of related debt	130,563	2,859	(99,556)	80,805	114,671
Restricted					
Expendable	21,907	36,283	9,764	93,863	161,817
Non-expendable	21,534	29,184	-	1,977	52,695
Unrestricted	2,018,853	1,469,237	124,120	(233,843)	3,378,367
Net position	2,192,857	1,537,563	34,328	(57,198)	3,707,550
Total liabilities, deferred inflows of resources, and net position	$ 4,099,925	$ 2,140,812	$ 610,670	$ (472,764)	$ 6,378,643

($s in thousands)

(2) Condensed Combining Information (continued)

Table 2
Condensed Combining Information
Balance Sheet as of June 30, 2016

	UCHA	PVHS	MHS	Other Operations Eliminations	Combined
Assets					
Current receivables from affiliates	$ 98,923	$ 60,815	$ 3,883	$ (163,621)	$ -
Other current assets	525,811	176,994	103,325	26,321	832,451
Capital assets, net of accumulated depreciation	886,823	436,416	318,196	163,771	1,805,206
Non-current receivables from affiliates	518,850	-	-	(518,850)	-
Non-current assets and other assets	1,354,460	1,148,017	97,777	39,754	2,640,008
Total assets	3,384,867	1,822,242	523,181	(452,625)	5,277,665
Deferred outflows of resources	36,877	21,451	14,009	9,827	82,164
Total assets and deferred outflows of resources	$ 3,421,744	$ 1,843,693	$ 537,190	$ (442,798)	$ 5,359,829
Liabilities					
Current payables to affiliates	$ 118	$ 109	$ 8,897	$ (9,124)	$ -
Other current liabilities	566,209	137,433	118,399	94,658	916,699
Non-current payables to affiliates	-	215,485	303,365	(518,850)	-
Other long-term liabilities	1,091,806	261,505	114,902	13,888	1,482,101
Total liabilities	1,658,133	614,532	545,563	(419,428)	2,398,800
Deferred inflows of resources	3,451	397	1,000	(439)	4,409
Total deferred inflows of resources	3,451	397	1,000	(439)	4,409
Net position					
Invested in capital assets, net of related debt	179,161	(19,169)	(95,237)	138,012	202,767
Restricted					
Expendable	16,419	46,647	12,205	-	75,271
Non-expendable	20,867	25,060	-	-	45,927
Unrestricted	1,543,713	1,176,226	73,659	(160,943)	2,632,655
Net position	1,760,160	1,228,764	(9,373)	(22,931)	2,956,620
Total liabilities, deferred inflows of resources, and net position	$ 3,421,744	$ 1,843,693	$ 537,190	$ (442,798)	$ 5,359,829

($s in thousands)

(2) Condensed Combining Information (continued)

Revenue, expenses, and changes in net position are summarized in Tables 3 and 4 for fiscal years 2017 and 2016, respectively.

Table 3
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2017

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	$ 1,623,588	$ 1,157,168	$ 781,425	$ 38,128	$ 3,600,309
Other operating revenue	22,450	30,771	17,032	(2,286)	67,967
Total operating revenue	1,646,038	1,187,939	798,457	35,842	3,668,276
Operating expenses					
Wages and benefits	556,330	525,865	385,817	46,694	1,514,706
Supplies	385,469	221,244	148,876	6,482	762,071
Purchased services and other expenses	371,410	173,026	166,019	12,545	723,000
Depreciation and amortization	77,917	54,498	38,303	3,559	174,277
Total operating expenses	1,391,126	974,633	739,015	69,280	3,174,054
Operating income (loss)	254,912	213,306	59,442	(33,438)	494,222
Non-operating revenue and expenses					
Interest expense	(35,420)	(15,887)	(15,431)	15,883	(50,855)
Investment income	211,681	131,997	10,295	(18,863)	335,110
Unrealized loss on derivative instrument	14,413	(3,237)	869	-	12,045
Other, net	(14,436)	(12,389)	(11,747)	(362)	(38,934)
Total non-operating revenue and expenses	176,238	100,484	(16,014)	(3,342)	257,366
Income before distributions and contributions	431,150	313,790	43,428	(36,780)	751,588
(Distributions to) contributions from minority interest in component unit	-	(7,184)	-	2,500	(4,684)
Contributions restricted for capital assets	10	-	-	-	10
Contributions restricted, other	1,537	2,193	273	13	4,016
Change in net position	432,697	308,799	43,701	(34,267)	750,930
Net position, beginning of year	1,760,160	1,228,764	(9,373)	(22,931)	2,956,620
Net position, end of year	$ 2,192,857	$ 1,537,563	$ 34,328	$ (57,198)	$ 3,707,550

($s in thousands)

(2) Condensed Combining Information (continued)

Table 4
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2016

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	$ 1,457,675	$ 1,044,816	$ 693,797	$ 28,947	$ 3,225,235
Other operating revenue	23,825	26,997	12,270	3,435	66,527
Total operating revenue	1,481,500	1,071,813	706,067	32,382	3,291,762
Operating expenses					
Wages and benefits	530,636	486,926	337,096	33,261	1,387,919
Supplies	341,492	183,004	132,469	5,107	662,072
Purchased services and other expenses	294,124	157,546	146,718	7,384	605,772
Depreciation and amortization	71,105	57,327	40,007	2,353	170,792
Total operating expenses	1,237,357	884,803	656,290	48,105	2,826,555
Operating income (loss)	244,143	187,010	49,777	(15,723)	465,207
Non-operating revenue and expenses					
Interest expense	(28,990)	(15,128)	(14,484)	12,393	(46,209)
Investment income	30,764	13,717	2,559	(12,504)	34,536
Unrealized loss on derivative instrument	(12,040)	-	-	-	(12,040)
Other, net	(16,873)	(13,022)	(12,742)	-	(42,637)
Total non-operating revenue and expenses	(27,139)	(14,433)	(24,667)	(111)	(66,350)
Income before distributions and contributions	217,004	172,577	25,110	(15,834)	398,857
Distributions to minority interest in component unit	-	(5,881)	-	-	(5,881)
Contributions restricted for capital assets	-	6	-	-	6
Contributions restricted, other	4,456	1,376	571	(2)	6,401
Change in net position	221,460	168,078	25,681	(15,836)	399,383
Net position, beginning of year	1,538,700	1,060,686	(35,054)	(7,095)	2,557,237
Net position, end of year	$ 1,760,160	$ 1,228,764	$ (9,373)	$ (22,931)	$ 2,956,620

($s in thousands)

(2) Condensed Combining Information (continued)

Cash flows are summarized in Tables 5 and 6 for fiscal years 2017 and 2016, respectively.

Table 5
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2017

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	$ 199,827	$ 197,117	$ 78,190	$ 104,787	$ 579,921
Capital and related financing activities	(50,534)	(92,308)	(50,911)	49,298	(144,455)
Investing activities	(16,188)	(16,110)	(18,507)	(153,762)	(204,567)
Net increase in cash and cash equivalents	133,105	88,699	8,772	323	230,899
Cash and cash equivalents, beginning of year	43,728	39,058	4,359	5,997	93,142
Cash and cash equivalents, end of year	$ 176,833	$ 127,757	$ 13,131	$ 6,320	$ 324,041

Table 6
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2016

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	$ 244,896	$ 189,867	$ 76,892	$ 125,658	$ 637,313
Capital and related financing activities	(87,572)	(108,344)	(70,357)	(91,520)	(357,793)
Investing activities	(237,205)	(131,265)	(7,577)	(30,503)	(406,550)
Net (decrease) increase in cash and cash equivalents	(79,881)	(49,742)	(1,042)	3,635	(127,030)
Cash and cash equivalents, beginning of year	123,609	88,800	5,401	2,362	220,172
Cash and cash equivalents, end of year	$ 43,728	$ 39,058	$ 4,359	$ 5,997	$ 93,142

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying basic financial statements have been prepared on the accrual basis of accounting and economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America.

The accounts of the Health System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenue and expenses, as appropriate.

The enterprise fund is used to account for the Health System's ongoing activities. The balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows do not include the pension trust fund.

The pension trust fund is used to account for assets held in trust for the benefit of the employees of the Health System (all of whom are actually employed by UCHA) for the non-contributory defined benefit pension plan (the "Basic Pension Plan"). In accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the assets and net position of the pension trust fund are presented separately from the enterprise fund. The basic financial statements of the pension trust fund are prepared using the accrual basis of accounting. Employer contributions to the Basic Pension Plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Basic Pension Plan.

(b) Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

(c) Net Position

The Health System's net position is classified as follows:

- *Invested in capital assets, net of related debt* – consists of capital assets net of accumulated depreciation reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.

- *Restricted* – consists of net position with constraints on its use imposed by external parties, such as creditors (through debt covenants) and donors. The non-expendable portion includes net position required through agreement with donors to be retained in perpetuity as well as the minority interest's ownership percentage in MCR.

- *Unrestricted* – consists of the remaining net position that is available for unrestricted use.

(3) Summary of Significant Accounting Policies (continued)

(c) Net Position (continued)

When the Health System has both restricted and unrestricted resources available to finance a particular program, it is the Health System's practice to use restricted resources before unrestricted resources.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with initial maturities of three months or less, excluding amounts restricted under trust agreements.

(e) Investments and Restricted Investments

Investments include assets designated by the Board for future capital improvements and undesignated investments. Restricted investments include assets held by trustees under bond indenture and insurance agreements.

The Health System records all debt and equity investment securities at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in non-operating revenue and expenses when earned.

The Health System's Basic Pension Plan holds assets that include alternative investments, which are not readily marketable and are carried at fair value as provided by the investment managers. The UCHA Board of Directors (the "UCHA Board") is the fiduciary of the plan, and the Health System reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

(f) Inventories

Inventories, which consist primarily of pharmaceuticals and medical supplies, are valued under a combination of the lower of cost (first in, first out) or market and a weighted average.

(g) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. Interest incurred, net of interest earned on related funds held by a trustee under bond agreements, in connection with borrowings to finance major construction or expansion of facilities, is capitalized until the related assets are put into service and subsequently amortized over the lives of the related assets. All capital assets are depreciated or amortized over the estimated useful life of each class of assets using the straight-line method. Useful lives for buildings and improvements are 20-40 years, equipment is 3-15 years, and leasehold improvements are 3-20 years.

(3) Summary of Significant Accounting Policies (continued)

(g) Capital Assets (continued)

The Health System's long-lived assets consist primarily of buildings and building improvements, equipment, and leasehold improvements, which are subject to the provisions of GASB Statement No. 42, Accounting *and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

(h) Deferred Amortization on Refundings

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and amortized using the effective interest rate method over the shorter of the life of the old debt or the life of the new debt.

(i) Deferred Amortization on Acquisitions

The Health System recognizes a deferred outflow of resources when the consideration provided in a government acquisition exceeds the net position acquired. This deferred amortization on acquisition is amortized to future periods in a systematic and rational manner, considering the relevant circumstances of the acquisition.

(j) Compensated Absences

All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA. UCHA employees use paid time off ("PTO") for vacation, holidays, personal short-term illness, family member illness, and personal absences. Health System employees generally earn PTO based on length of service and actual hours worked. The Health System records PTO expense as it is earned. The current portion of PTO is based on employee tenure, rate of pay, and accrued hours. Amounts in excess of an employee's annual accrual are classified as long-term liabilities.

(k) Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, restricted investments, long-term investments, interest rate swap agreements, current liabilities, and long-term debt obligations. The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, and current liabilities approximate fair value. Management's estimate of the fair value of the other financial instruments is described in Notes 6, 7, and 12 to the basic financial statements.

The Health System utilizes interest rate swaps to cover exposure to changes in interest rates. The fair value of these derivative instruments is required to be recognized as either an asset or liability on the balance sheets. Changes in fair values of derivative instruments that are determined to be ineffective hedges, as is the case of the Health System's interest rate swaps, are reported within non-operating revenue and expenses in the period when the change in fair value occurs.

($s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(l) Endowments

The Health System's endowments consist of individual funds restricted by donors for a variety of purposes. The State of Colorado's Uniform Prudent Management of Institutional Funds Act requires preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Health System classifies as non-expendable restricted net position the original value of the gifts donated to the permanent endowment. The appreciation on donor-restricted endowment funds is classified as expendable restricted net position until those amounts are appropriated for expenditure by the Health System. The Health System may spend the net appreciation on the endowment funds based on the individual endowment fund agreements and considers factors such as duration and preservation of the fund, purposes of the fund, general economic conditions, possible effects of inflation and deflation, expected total return from investment income, and other resources of the Health System when determining the amounts to authorize and spend in an individual year. The amount of net appreciation on endowments available for expenditure at June 30, 2017 and 2016 was $2,572 and $1,969, respectively.

(m) Minority Interest in Component Unit

Included in minority interest in component unit represents the 12% interest in MCR that is not owned by PVHS and the 25% interest in ICHealth that is not owned by UCHealth. For the years ended June 30, 2017 and 2016, changes in net position attributable to the controlling financial interest of UCHealth and the minority interest are:

June 30, 2017

	Total	Controlling Interest	Minority Interest
Income before distributions and contributions	$ 751,588	$ 740,880	$ 10,708
Net distributions to and contributions from minority interest in component unit	(4,684)	-	(4,684)
Contributions restricted for capital assets	10	10	-
Contributions restricted, other	4,016	4,016	-
Change in net position	750,930	744,906	6,024
Net position, beginning of year	2,956,620	2,937,938	18,682
Net position, end of year	$ 3,707,550	$ 3,682,844	$ 24,706

($s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(m) Minority Interest in Component Unit (continued)

June 30, 2016

	Total	Controlling Interest	Minority Interest
Income before distributions and contributions	$ 398,857	$ 390,752	$ 8,105
Distributions to minority interest in component unit	(5,881)	-	(5,881)
Contributions restricted for capital assets	6	6	-
Contributions restricted, other	6,401	6,401	-
Change in net position	399,383	397,159	2,224
Net position, beginning of year	2,557,237	2,540,779	16,458
Net position, end of year	$ 2,956,620	$ 2,937,938	$ 18,682

(n) Revenue and Expenses

The Health System's statements of revenue, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services and includes patient service and other revenue. Non-exchange revenue includes investment income and restricted contributions and is reported as non-operating revenue. Operating expenses are all expenses incurred to provide healthcare services. Non-operating expenses include interest expense, fundraising activities, and gain or loss on disposal of capital assets.

(o) Costs of Shared Services

The costs of shared services provided by UCHealth to the individual component units are combined to determine the full costs of shared services. These costs are then reallocated back to the individual component units based on a set of drivers, which are used to estimate the relative usage of such shared services by each component unit.

(p) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Amounts reimbursed for services rendered to patients covered under the Medicare and Medicaid programs are generally less than established billing rates. The Health System also provides services to beneficiaries of certain other third-party payor programs at amounts less than its established rates based on contractual arrangements. Differences between established billing rates and amounts reimbursed are recognized as contractual adjustments.

(3) Summary of Significant Accounting Policies (continued)

(q) Risk Management

The Health System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; fiduciary liability; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. UCHA is insured for medical malpractice claims and judgments through the University of Colorado Self-Insurance and Risk Management Trust. PVHS and MHS maintain malpractice insurance through claims-made commercial insurance policies. Insurance coverage for all other lines of insurance, including theft, property damage, occupational and non-occupational injuries and accidents, business interruption, automobile, non-owned aircraft, employee health, dental, errors and omission, and fiduciary, are covered by commercial insurance companies.

(r) Income Taxes

UCHealth has a determination letter from the IRS, which states that it is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Code. UCHA, PVH, MCR, LPH, UCH-MHS, Memorial Hospital Corporation, the PVHS Foundation, and the UCHA Foundation are also exempt under Section 501(a) as organizations described in Section 501(c)(3) of the Code. UCHA is a political subdivision and body corporate of the State of Colorado and, as such, the income generated by UCHA in the exercise of its essential government function is exempt from federal income tax under Section 115 of the Code. Lakota Lake, LLC; PVHS/Timberline, LLC; Heron Lake, LLC; and United Medical Alliance act as tax flow-through entities to PVHS, which, as noted, is tax-exempt under Section 501(c)(3) of the Code. UCHPA acts as a tax flow-through entity to UCHealth, which, as noted, is tax-exempt under Section 501(a) of the Code. UCHealth Medical Group acts as a tax flow-through entity to PVHS (99%) and UCHealth (1%). During 2017, UCHealth Medical Group was granted tax exempt status under Section 501(c)(3) of the Code. Innovation Enterprises is a corporation subject to state and federal income tax. The Health System recognizes unrelated business income tax for activities that are outside of the Health System's tax-exempt mission. The Health System has recognized a tax liability of $2,325 and $2,452 at June 30, 2017 and 2016, respectively, for unrelated business income taxes.

(s) Pension Plans

The Health System accounts for its pension plan under GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports of defined benefit pension plans, and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan, about which information is required to be presented. GASB Statement No. 68 revises and establishes new financial reporting requirements for most governmental entities that provide their employees with pension benefits.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Basic Pension Plan and additions to/deductions from the Basic Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Basic Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

($s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(t) Reclassifications

Certain 2016 amounts have been reclassified in the accompanying basic financial statements to conform to the 2017 presentation.

(4) Net Patient Service Revenue

The following summary details gross charges and uncompensated care resulting from contractual allowances, bad debts, self-pay discounts, and unsponsored charges for the year ended June 30:

	2017	2016
Gross charges	$ 12,755,871	$ 11,056,828
Third-party contractual allowances	(8,928,239)	(7,644,959)
Indigent and charity care	(116,452)	(107,489)
Provision for bad debt	(146,948)	(127,098)
Self-pay packages and other discounts	(134,155)	(111,306)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	170,232	159,259
Net patient service revenue	$ 3,600,309	$ 3,225,235

The Health System has programs that receive add-on payments to the established rate or that are paid at a reasonable cost by third-party payors. Amounts received for these additional payments from Medicare, Medicaid, and TriCare programs are subject to audit and retroactive adjustment. Generally, provisions for estimated retroactive adjustments under such programs are provided in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue under the Medicare and Medicaid programs was approximately $1,219,433 and $1,088,379 in 2017 and 2016, respectively.

(a) Medicare

Inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a Diagnostic-Related Group patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are paid based upon the Ambulatory Payment Classification system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare fiscal intermediary. The Health System's classifications of patients under the Medicare program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. PVH's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. MCR's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. MHS's Medicare cost reports have been audited through June 30, 2014; however, Medicare cost report year 2008 has not yet been settled by the Medicare administrative contractor.

(4) Net Patient Service Revenue (continued)

(b) Medicaid

Inpatient services rendered to Medicaid beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Outpatient services are reimbursed by a combination of fee schedule and a tentative payment rate with final settlement determined after submission of an annual cost report by the Health System and audits thereof by the Medicaid fiscal intermediary. The Health System's classification of patients under the Medicaid program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. PVH's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. MCR's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. MHS's Medicaid cost reports have been audited through September 30, 2012; however, the Medicaid cost report year 2008 has not yet been settled by the Medicaid fiscal intermediary.

(c) Other Payors

The Health System has also entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Health System under these agreements generally includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(d) Self-Pay

The Health System maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which differs by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. Discounts for this program were $134,155 and $111,306 in 2017 and 2016, respectively.

(e) Disproportionate Share Health System and Charity Care Policy

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to generate additional federal Medicaid matching funds to increase payments to hospitals and expand coverage under public healthcare programs. For the years ended June 30, 2017 and 2016, the Health System was charged $129,620 and $114,349, respectively, in Hospital provider fees and received $202,105 and $195,917, respectively, in disproportionate share and Medicaid supplemental revenue as compensation for indigent and underinsured care services provided.

Based on an analysis of the direct and indirect costs specific to the procedures performed, the cost of charity care services provided was $59,499 and $53,865 for the years ended June 30, 2017 and 2016, respectively.

(f) Community Benefit

Based on the application of an adjusted cost to charge ratio to the procedures performed, reduced by actual reimbursement received, UCHealth provided $259,586 and $223,418 in total benefits to the community for uninsured and underinsured patients in 2017 and 2016, respectively.

($s in thousands)

(5) Restricted and Unrestricted Pledges

The Health System records pledges as restricted or unrestricted receivables based on the donors' specifications and the Health System's satisfaction of the donors' restriction. All long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge. Total unrestricted contributions receivable, net of allowances for uncollectible receivables were $50 at June 30, 2016. Total restricted contributions receivable, net of allowances for uncollectible receivables, are $1,558 and $2,015 at June 30, 2017 and 2016, respectively.

The total current portions of unrestricted contributions receivable, net of allowances for uncollectible receivables, were $50 at June 30, 2016. The total current portions of restricted contributions receivable, net of allowances for uncollectible receivables, are $495 and $843, and the long-term portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within restricted investments and pledges, donors, in the accompanying balance sheets, are $1,064 and $1,171 at June 30, 2017 and 2016, respectively.

(6) Deposits and Investments

Colorado statutes require that UCHA use eligible public depositories for all cash deposits, as defined by the Public Deposit Protection Act ("PDPA"). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

At June 30, 2017 and 2016, UCHealth's unrestricted cash deposits had a book balance of $324,041 and $93,142, respectively, and a bank balance of $359,308 and $123,482, respectively. UCHealth's receivables and investments restricted by donors included cash deposits that had a book and bank balance of $43,077 and $39,031 at June 30, 2017 and 2016, respectively. The difference between the bank balance and the book balance is related to outstanding reconciling items. These balances are held in UCHealth participating entity names, and all accounts, with the exception of the overnight investments account, are covered by federal depository insurance up to the applicable maximum.

	June 30, 2017		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	$ 324,041	$ -	$ 324,041
Assets limited as to use	-	189,973	189,973
Investments designated for liquidity support	-	108,710	108,710
Long-term investments	-	3,018,297	3,018,297
	$ 324,041	$ 3,316,980	$ 3,641,021

($s in thousands)

(6) Deposits and Investments (continued)

	June 30, 2016		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	$ 93,142	$ -	$ 93,142
Assets limited as to use	-	97,222	97,222
Investments designated for liquidity support	-	265,585	265,585
Long-term investments	-	2,440,807	2,440,807
	$ 93,142	$ 2,803,614	$ 2,896,756

Enterprise fund investments consist of the following:

	June 30,	
	2017	2016
Restricted by trustee under bond agreement	$ 145,365	$ 57,818
Restricted by donor	43,077	39,031
Other restricted	1,531	373
Unrestricted	3,127,007	2,706,392
Total investments	$ 3,316,980	$ 2,803,614

The following is a summary of enterprise fund investments at fair value:

	June 30,	
	2017	2016
Cash equivalents	$ 37,329	$ 57,510
U.S. Treasury bills	194,299	201,083
U.S. government agency, pool, and mortgage-backed securities	95,443	63,460
Asset-backed securities	49,382	66,786
Mutual bond funds	467,631	540,102
Treasury inflation protected securities ("TIPS")	151,560	152,075
Corporate bonds	298,894	179,738
Equity securities	2,019,609	1,545,707
Interest and dividends receivable	5,094	2,497
Miscellaneous investment payable	(2,261)	(5,344)
Total investments	$ 3,316,980	$ 2,803,614

($s in thousands)

(6) Deposits and Investments (continued)

The following is a summary of pension trust fund investments at fair value:

	June 30, 2017	June 30, 2016
Cash equivalents	$ 9,172	$ 9,053
U.S. Treasury bills	33,405	26,545
U.S. government agency, pool, and mortgage-backed securities	13,811	5,645
Asset-backed securities	1,448	2,251
TIPS	20,190	19,932
Corporate bonds	11,049	9,060
Alternative investments	107,537	75,948
Private real estate	29,299	42,291
Mutual bond funds	100,196	92,636
Other mutual funds	385,971	296,152
Interest and dividends receivable	292	207
Miscellaneous investment payable	(2,268)	(1,374)
Total investments	$ 710,102	$ 578,346

(a) Credit Risk

UCHealth's investment policy statements for the enterprise and pension trust funds apply the prudent man rule. Investment responsibilities shall be undertaken "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use."

UCHealth's enterprise and pension trust fund investments in U.S. agency, pool, and mortgage-backed securities are limited to investments rated AAA or AA. UCHealth's enterprise and pension trust funds' asset-backed securities, corporate bonds, and private placements are limited to securities rated Baa3 or BBB- or higher. Under certain circumstances, UCHealth's equity investment managers are allowed to purchase fixed income securities that are convertible into equities. In these circumstances, the guidelines set forth for the specific equity manager supersede the fixed income quality guidelines. The quality ratings mentioned above are required by at least one major credit rating agency at the time of purchase.

($s in thousands)

(6) Deposits and Investments (continued)

(a) Credit Risk (continued)

The following is a summary of enterprise fund investments at June 30, 2017 and 2016. The ratings are presented as the lower of Standard & Poor's or Moody's rating using the S&P scale.

	2017		2016	
	2017 Fair Value	Average Rating	2016 Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	$ 95,443	AA+	$ 63,460	AA+
Asset-backed securities	$ 49,382	AA+	$ 66,786	AA+
Mutual bond funds	$ 467,631	BBB-	$ 540,102	BBB
TIPS	$ 151,560	AA+	$ 152,075	AA+
Corporate bonds				
Financials	$ 127,465	A-	$ 64,317	BBB+
Industrials	114,945	A	56,590	A-
Municipal	196	AA+	194	AAA
Municipal taxable	1,939	AA-	1,233	AA
Other corporate bonds	2,346	AAA	1,419	AA
Other global corporate bonds	35,877	A	39,670	A
Private placements	16,126	A-	16,315	BBB+
Total corporate bonds	$ 298,894		$ 179,738	

($s in thousands)

(6) Deposits and Investments (continued)

(a) Credit Risk (continued)

The following is a summary of pension trust fund investments at June 30, 2017 and 2016, with average credit ratings based on the lower of Standard & Poor's or Moody's rating using the S&P scale:

	2017		2016	
	2017 Fair Value	Average Rating	2016 Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	$ 13,811	AA+	$ 5,645	AA+
Asset-backed securities	$ 1,448	AAA	$ 2,251	AAA
Mutual bond funds	$ 100,196	BBB-	$ 92,636	BBB
TIPS	$ 20,190	AAA	$ 19,932	AAA
Corporate bonds				
Private placements	$ 1,598	AA-	$ 1,062	AA
Other	9,451	A-	7,998	A-
Total corporate bonds	$ 11,049		$ 9,060	

($s in thousands)

(6) Deposits and Investments (continued)

(b) Interest Rate Risk

UCHealth's enterprise and pension trust fund investment policy manages its exposure to fair value losses arising from rising interest rates by investment manager-specific guidelines that benchmark and limit the duration of its investment portfolio.

As of June 30, 2017 and 2016, the enterprise fund held the following investments. Modified duration is in years.

	2017		2016	
	2017 Fair Value	Modified Duration	2016 Fair Value	Modified Duration
U.S. Treasury bills	$ 194,299	5.55	$ 201,083	4.80
U.S. government agency, pool, and mortgage-backed securities	$ 95,443	3.95	$ 63,460	3.69
Asset-backed securities	$ 49,382	4.42	$ 66,786	4.42
Mutual bond funds	$ 467,631	4.32	$ 540,102	4.33
TIPS	$ 151,560	7.58	$ 152,075	7.88
Corporate bonds				
Financials	$ 127,465	1.43	$ 64,317	2.11
Industrials	114,945	1.94	56,590	3.19
Municipal	196	0.10	194	0.02
Municipal taxable	1,939	9.85	1,233	10.97
Other corporate bonds	2,346	1.99	1,419	2.10
Other global corporate bonds	35,877	2.18	39,670	2.21
Private placements	16,126	2.13	16,315	3.23
Total corporate bonds	$ 298,894		$ 179,738	

($s in thousands)

(6) Deposits and Investments (continued)

(b) Interest Rate Risk (continued)

As of June 30, 2017 and 2016, the pension trust fund held the following investments. Modified duration is in years.

	2017		2016	
	2017 Fair Value	Modified Duration	2016 Fair Value	Modified Duration
U.S. Treasury bills	$ 33,405	7.18	$ 26,545	6.12
U.S. government agency, pool, and mortgage-backed securities	$ 13,811	4.09	$ 5,645	3.61
Asset-backed securities	$ 1,448	4.38	$ 2,251	3.01
Mutual bond funds	$ 100,196	6.05	$ 92,636	5.15
TIPS	$ 20,190	7.70	$ 19,932	7.85
Corporate bonds				
Private placements	$ 1,598	1.53	$ 1,062	1.75
Other	9,451	2.67	7,998	3.28
Total corporate bonds	$ 11,049		$ 9,060	

($s in thousands)

(6) Deposits and Investments (continued)

(c) Foreign Currency Risk

UCHealth's enterprise and pension trust fund investment policies manage exposure to foreign currency risk by limiting the allocation percentage of international mutual funds to 5%-15% of the total fair value for the enterprise fund and 16%-28% of the total fair value for the pension trust fund. All of UCHealth's investments exposed to foreign currency risk are held in international mutual funds. UCHealth's enterprise and pension trust fund investments are exposed to foreign currency risk as illustrated in the following table as of June 30, 2017 and 2016.

	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
Currency	2017	2016	2017	2016
Australian Dollar	$ 9,609	$ 9,167	$ 4,027	$ 3,627
Brazilian Real	7,018	4,396	2,676	1,860
Canadian Dollar	15,327	13,409	6,208	5,545
Chilean Peso	436	351	169	123
Colombian Peso	1,627	438	253	97
Czech Koruna	940	764	410	337
Danish Krone	3,299	3,751	2,055	2,977
Egyptian Pound	49	47	19	16
Euro	121,890	82,732	34,818	23,455
Hong Kong Dollar	34,801	26,847	14,156	10,158
Hungarian Forint	1,168	849	511	372
Indian Rupee	11,823	9,282	7,148	5,324
Indonesian Rupiah	2,632	2,246	1,158	966
Israel New Shekel	671	816	260	304
Japanese Yen	70,526	43,290	27,957	17,003
Kenyan Shilling	404	183	187	84
Malaysian Ringgit	927	852	356	296
Mexican Peso	2,917	3,587	1,045	1,356
New Zealand Dollar	197	509	75	200
Norwegian Krone	3,384	3,157	427	504
Pakistani Rupee	48	1	19	-
Philippine Peso	750	839	434	460
Polish Zloty	1,240	1,058	527	443
Qatari Riyal	256	252	100	89
Russian Ruble	2,556	869	559	304
Singapore Dollar	5,103	4,449	615	544
South African Rand	6,491	6,536	2,655	2,633
South Korean Won	24,248	18,095	8,428	5,764
Swedish Krona	9,474	6,563	3,425	2,316
Swiss Franc	20,026	21,520	5,969	7,279
Taiwan New Dollar	14,868	10,267	5,987	4,215
Thailand Baht	3,430	3,054	1,214	890
Turkish Lira	3,780	1,578	1,522	626
United Arab Emirates Dirham	830	300	363	110
United Kingdom Pound Sterling	49,461	42,629	17,366	13,139
	$ 432,206	$ 324,683	$ 153,098	$ 113,416

(6) Deposits and Investments (continued)

(d) Concentration of Credit Risk

UCHealth's enterprise and pension trust fund investment policies state that the equity and fixed income portfolio should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. UCHealth has evaluated all investments at June 30, 2017 and confirmed that no more than 5% of total investments are held in any one issuer.

Additionally, UCHealth's enterprise and pension trust fund investment policies state that, within each investment manager, no more than 10% of the equity or fixed income portfolio based on market value should be invested in the securities of any one issuer other than fixed income pools of investments, such as U.S. governments or U.S. government agencies. Except for U.S. Treasurys, no more than 10% of the fixed income portfolio, based on market value, shall be invested in securities of any one issuer at the time of purchase. At June 30, 2017, the fixed income and equity investment managers were in compliance with the stated diversification policy.

(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

UCHealth uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swaps necessarily involve counterparty credit risk. UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. Interest rate swaps are used to manage the interest rate exposure of certain variable rate bonds issuances. The counterparties to the interest rate swap contracts are major financial institutions that are rated Aa3 and A2 by Moody's. The estimated fair value of interest rate swaps, which is the gross unrealized market gain or loss, is based on quotes obtained from the counterparties. UCHealth's credit risk on the swaps is limited to any positive fair value of the financial instruments.

During the years ended June 30, 2017 and 2016, UCHealth was party to four swap agreements as follows:

- *A floating-to-fixed swap agreement having an original notional value of $71,235 and current notional amount of $63,825, reducing on the dates and the amounts set forth in the Series 2013C bond offering documents describing principal payments.* This agreement was entered into in November 2006 and is scheduled to terminate in November 2031. In this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.5% and receives the sum of 61.8% of USD-LIBOR-BMA plus 0.31%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013C Revenue Bonds to fixed rate obligations. At June 30, 2017 and 2016, this swap had an approximate fair value of $(11,129) and $(16,155), respectively.

- *A floating-to-fixed swap agreement having an original notional value of $100,160 and a current notional value of $88,720, reducing on the dates and amounts set forth in the Series 2013A bond offering documents describing principal payments.* This agreement was entered into in October 2004 and is scheduled to terminate in November 2033. Under the terms of this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.631% and receives the sum of 62.2% of USD-LIBOR-BBA plus 0.30%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013A Revenue Bonds to fixed rate obligations. At June 30, 2017 and 2016 the floating-to-fixed rate swap had an approximate fair value of $(18,254) and $(26,631), respectively.

(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (continued)

- In December 2016, UCHealth entered a forward-starting floating-to-fixed interest rate swap to coincide with a planned refunding of Series 2005 bonds. It is anticipated that the forward swap will hedge variable rate bonds issued in 2018 to refund the fixed rate Series 2005 bonds ranging from 5.00% to 5.25% creating synthetic fixed rate debt. The swap agreement has an initial notional amount of $198,805 and a fixed payor rate of 1.81% and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are to be made monthly, starting in September 2018. At June 30, 2017, this swap had an approximate fair value of $(3,990).

- In February 2017, concurrent with the issuance of the UCHA Series 2017A Bonds, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of $152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHealth settles with the counterparty semi-annually each May and November. The swap agreement carries a 10-year term. At June 30, 2017, this swap had an approximate fair value of $2,632.

In fiscal years 2017 and 2016, the swaps produced an annual net cash outflow of approximately $3,135 and $4,954, respectively. Cash flows associated with the floating-to-fixed swaps are treated as interest expense. According to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* none of UCHA's swap agreements qualify as effective cash flow hedging derivative instruments. Swap agreements tied directly to a bond issuance are reported as fair value of derivative instruments on the balance sheets and changes in fair value are reported as unrealized gain (loss) on derivative investments on the statements of revenue, expenses, and changes in net position.

(8) Fair Value

(a) Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market participant assumptions in fair value measurements, UCHealth utilizes the U.S. GAAP fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified into the following fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting UCHealth's own assumptions.

($s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2017 and 2016, the enterprise fund held the following investments, by level, within the fair value hierarchy.

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	$ 194,299	$ 194,299	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	95,443	-	95,443	-
Asset-backed securities	49,382	-	43,281	6,101
Mutual bond funds	467,631	324,787	142,844	-
TIPS	151,560	261	151,299	-
Corporate bonds	298,894	-	298,615	279
Equity securities	2,019,609	1,473,783	544,196	1,630
Total investments by fair value level	$ 3,276,818	$ 1,993,130	$ 1,275,678	$ 8,010
Derivative instruments				
Interest rate swaps	$ (30,741)	$ -	$ (30,741)	$ -

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	$ 201,083	$ 201,083	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	63,460	-	63,460	-
Asset-backed securities	66,786	-	61,098	5,688
Mutual bond funds	540,102	274,366	265,736	-
TIPS	152,075	2,732	149,343	-
Corporate bonds	179,738	-	179,738	-
Equity securities	1,545,707	1,193,999	349,851	1,857
Total investments by fair value level	$ 2,748,951	$ 1,672,180	$ 1,069,226	$ 7,545
Derivative instruments				
Interest rate swaps	$ (42,786)	$ -	$ (42,786)	$ -

($s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2017 and 2016, the pension trust fund held the following investments, by level, within the fair value hierarchy.

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	$ 33,405	$ 33,405	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	13,811	-	13,811	-
Asset-backed securities	1,448	-	1,271	177
TIPS	20,190	-	20,190	-
Corporate bonds	11,049	-	10,958	91
Alternative investments	107,537	28,286	20,671	58,580
Private real estate	29,299	-	-	29,299
Mutual bond funds	100,196	40,787	59,409	-
Other mutual funds	385,971	262,450	123,521	-
Total investments	$ 702,906	$ 364,928	$ 249,831	$ 88,147

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	$ 26,545	$ 26,545	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	5,645	-	5,645	-
Asset-backed securities	2,251	-	2,186	65
TIPS	19,932	-	19,932	-
Corporate bonds	9,060	-	9,060	-
Alternative investments	75,948	13,409	16,244	46,295
Private real estate	42,291	-	-	42,291
Mutual bond funds	92,636	43,683	48,953	-
Other mutual funds	296,152	216,239	79,849	64
Total investments	$ 570,460	$ 299,876	$ 181,869	$ 88,715

($s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

U.S. Treasury bills, TIPS, equity securities, alternative investments, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. U.S. government debt securities, asset-backed securities, TIPS, corporate bonds, alternative investments, equity securities, and mutual fund securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Asset-backed securities classified in Level 3 are valued using discounted cash flow techniques. Private real estate investments classified in Level 3 of the fair value hierarchy are valued using the income approach based on a discounted cash flow model, with reliance on other metrics used in the marketplace, including the analysis of comparable sales and relationship to replacement cost. Alternative investments, equity securities, and other mutual funds classified in Level 3 of the fair value hierarchy are valued by developing a range of values using multiple methodologies deemed relevant by market participants, including discounted cash flow models, market multiple models, and recent transaction multiples. Swap agreements classified in Level 2 of the fair value hierarchy are valued using interest rate and forward yield curve inputs.

The table below reconciles the total fair value disclosures above to the total fair value of enterprise fund and pension trust fund investments as disclosed in Note 6.

	June 30, 2017	June 30, 2016
Enterprise fund investments		
Total investments by fair value level	$ 3,276,818	$ 2,748,951
Cash equivalents	37,329	57,510
Interest and dividends receivable	5,094	2,497
Miscellaneous investment payable	(2,261)	(5,344)
Total enterprise fund investments	$ 3,316,980	$ 2,803,614
Pension trust fund investments		
Total investments by fair value level	$ 702,906	$ 570,460
Cash equivalents	9,172	9,053
Interest and dividends receivable	292	207
Miscellaneous investment payable	(2,268)	(1,374)
Total pension trust fund investments	$ 710,102	$ 578,346

(9) Other Investments

UCHealth recognizes its interest in the net assets and operations of joint ventures in which UCHealth and its component units have an ownership interest and ongoing financial interests or ongoing financial responsibilities. At June 30, 2017 and 2016, equity interests in joint ventures held by UCHealth and its component units ranged from 5% to 51% and totaled $94,934 and $59,567, respectively.

(9) Other Investments (continued)

PVHS has a 26% equity interest in the Surgery Center of Fort Collins, LLC (the "Surgery Center") totaling $2,734 and $2,751 at June 30, 2017 and 2016, respectively. PVHS's share of the Surgery Center's net income was $425 and $471 for the years ended June 30, 2017 and 2016, respectively. The Surgery Center's financial statements are separately audited. PVHS received distributions from the Surgery Center of $442 and $533 during the years ended June 30, 2017 and 2016, respectively.

Lakota Lake, LLC ("Lakota Lake") has a 50% equity interest in Gateway Medical Services, LLC ("Gateway") totaling $6,720 and $6,401 at June 30, 2017 and 2016, respectively. Lakota Lake's share of Gateway's net income was $7,908 and $6,079 for the years ended June 30, 2017 and 2016, respectively. Gateway's financial statements are separately audited. Lakota Lake received distributions from Gateway of $7,589 and $5,996 during the years ended June 30, 2017 and 2016, respectively.

PVHS has a 50% equity interest in Harmony Surgery Center, LLC ("Harmony Surgery") totaling $2,777 and $2,241 at June 30, 2017 and 2016, respectively. PVHS's share of Harmony Surgery's net income was $2,461 and $1,855 for the years ended June 30, 2017 and 2016, respectively. Harmony Surgery's financial statements are separately audited. PVHS received distributions from Harmony Surgery of $1,925 and $1,950 during the years ended June 30, 2017 and 2016, respectively.

PVHS has a 50% equity interest in Carbon Valley Healthcare Holdings Corp ("Carbon Valley") totaling $1,475 and $2,275 at June 30, 2017 and 2016, respectively. PVHS's share of Carbon Valley's net loss was $33 and $44 for the years ended June 30, 2017 and 2016, respectively. Carbon Valley's financial statements are not audited. PVHS recorded a write-down of $767 for Carbon Valley during the year ended June 30, 2017.

UCHealth has a 50.1% equity interest in UCHealth Partners LLC ("UCHealth Partners") totaling $34,755 and $22,603 at June 30, 2017 and 2016, respectively. UCHealth's share of UCHealth Partners' net loss was $3,903 and net gain was $3,903 for the years ended June 30, 2017 and 2016, respectively. UCHealth Partners' financial statements are separately audited. UCHealth made contributions to UCHealth Partners of $16,055 during the year ended June 30, 2017.

UCHealth has a 20% equity interest in PAS Solutions Group, LLC ("PAS"), totaling $7,610 and $7,388 at June 30, 2017 and 2016, respectively. UCHealth's share of PAS's net gain was $222 and net loss was $112 for the years ended June 30, 2017 and 2016, respectively. PAS's financial statements are separately audited.

UCHealth has a 21% equity interest in LeanTaaS, Inc. ("LeanTaaS"), totaling $10,543 and $10,000 at June 30, 2017 and 2016, respectively. UCHealth's share of LeanTaaS' net loss was $333 and $0 for the years ended June 30, 2017 and 2016, respectively. LeanTaaS' financial statements are separately audited. UCHealth made contributions to LeanTaaS of $875 and $10,000 during the years ended June 30, 2017 and 2016, respectively.

During 2017, UCHealth purchased a 20% equity interest in Brookhaven Medical Properties, LLC ("Brookhaven") resulting in an equity interest totaling $8,278 at June 30, 2017. UCHealth's share of Brookhaven net income was $0 for the year ended June 30, 2017. Brookhaven's financial statements are separately audited. UCHealth made contributions to Brookhaven of $8,278 during the year ended June 30, 2017.

($s in thousands)

(9) Other Investments (continued)

UCHealth and its component units have equity ownership interests ranging from 5% to 50% in other joint ventures totaling $5,543 and $5,908 for the years ended June 30, 2017 and 2016, respectively. UCHealth and its component units' share of the other joint ventures net income was $2,015 and $2,058 for the years ended June 30, 2017 and 2016, respectively. UCHealth and its component units received $2,379 and $2,374 in distributions from these other joint ventures during the years ended June 30, 2017 and 2016, respectively. UCHealth made contributions of $650 to these other joint ventures during the year ended June 30, 2016.

During 2017, UCHealth invested $7,500 in SmartChoice MRI, LLC ("SmartChoice"), which is accounted for under the cost method. At June 30, 2017, UCHealth's total interest in SmartChoice is $7,500. During 2017, UCHealth invested $7,000 in Catapult Health, LLC ("Catapult"), which is accounted for under the cost method. At June 30, 2017, UCHealth's total interest in Catapult is $7,000.

UCHA has a minority interest in TriWest Healthcare Alliance Corp. ("TriWest") of $6,000 at June 30, 2017 and 2016, which is accounted for under the cost method as described in Note 15.

(10) Capital Assets

Capital assets consist of the following at June 30, 2017, 2016, and 2015:

	June 30, 2015	Additions	Transfers	Disposals	June 30, 2016	Additions	Transfers	Disposals	June 30, 2017
Capital assets, not being depreciated									
Land	$ 83,092	$ 30,126	$ (3,238)	$ (1,117)	$ 108,863	$ 11,913	$ 24	$ (30)	$ 120,770
Construction in progress	110,165	189,369	(157,311)	(84)	142,139	316,171	(196,707)	(755)	260,848
Total capital assets, not being depreciated	193,257	219,495	(160,549)	(1,201)	251,002	328,084	(196,683)	(785)	381,618
Capital assets, being depreciated									
Buildings and improvements	1,845,185	21,603	83,638	(4,990)	1,945,436	9,099	120,983	(2,128)	2,073,390
Fixed and moveable equipment	829,589	72,331	76,911	(20,453)	958,378	26,635	75,700	(38,932)	1,021,781
Total capital assets, being depreciated	2,674,774	93,934	160,549	(25,443)	2,903,814	35,734	196,683	(41,060)	3,095,171
Accumulated depreciation and impairment									
Buildings and improvements	641,687	67,578	-	(4,939)	704,326	71,274	-	(1,918)	773,682
Fixed and moveable equipment	562,904	102,597	-	(20,217)	645,284	101,300	-	(38,150)	708,434
Total accumulated depreciation and impairment	1,204,591	170,175	-	(25,156)	1,349,610	172,574	-	(40,068)	1,482,116
Total capital assets, net	$1,663,440	$143,254	$ -	$ (1,488)	$1,805,206	$ 191,244	$ -	$ (1,777)	$1,994,673

($s in thousands)

(11) Contractual Arrangements and Concentrations of Credit Risk

The Health System provides care to patients covered by various third-party payors, such as Medicare, Medicaid, private insurance companies, and health maintenance organizations. Significant concentrations of patient accounts receivable include the following:

	June 30,	
	2017	2016
Medicare	23%	25%
Medicaid	27%	18%
Managed care	33%	38%
Commercial	2%	2%
Self-pay and medically indigent	7%	7%
Military and other governmental	2%	2%
Other	6%	8%

Management does not believe there are significant credit risks associated with the above payors, other than the self-pay and medically indigent categories. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivable are reported net of allowances for doubtful accounts, contractual adjustments, and medically indigent allowances.

($s in thousands)

(12) Long-Term Debt and Leases

Long-term debt consists of the following:

Issuing Entity	Description	2017	2016
Combined	Capital leases, long term	$ 22,726	$ 25,106
MHS	City of Colorado Springs lease, long term, due in installments through September 30, 2042	98,563	101,111
Combined	Loan payable	3,853	4,032
PVHS	Revenue bonds, Series 2005A, due in four sinking fund payments ending in fiscal year 2031, net of unamortized discount of $80 and $86 at June 30, 2017 and 2016, respectively	49,920	49,914
PVHS	Revenue bonds, Series 2005B, due in six sinking fund payments ending in fiscal year 2036, net of unamortized discount of $163 and $172 at June 30, 2017 and 2016, respectively	82,837	82,828
PVHS	Revenue bonds, Series 2005C, due in five sinking fund payments ending in fiscal year 2040, net of unamortized discount of $533 and $557 at June 30, 2017 and 2016, respectively	81,467	81,443
UCHA	Revenue bonds series 2009A, due in increasing annual installments through fiscal year 2030, net of unamortized bond discount of $110 and $125 at June 30, 2017 and 2016, respectively	39,610	42,135
UCHA	Revenue Bonds, Series 2011B, due in installments through fiscal year 2030	98,515	99,500
UCHA	Revenue Bonds, Series 2011C, due in installments through fiscal year 2023	44,705	50,915
UCHA	Revenue Bonds, Series 2012A, due in installments through fiscal year 2043, inclusive of unamortized premium of $17,502 and $18,429, and net of unamortized discounts of $725 and $763 at June 30, 2017 and 2016, respectively	261,617	269,871
UCHA	Revenue Bonds, Series 2012B, due in installments through fiscal year 2047	50,000	50,000
UCHA	Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
UCHA	Revenue Bonds, Series 2013A, due in installments through fiscal year 2034	88,720	90,695
UCHA	Revenue Bonds, Series 2013B, due in installments through fiscal year 2025	10,140	11,135
UCHA	Revenue Bonds, Series 2013C, due in installments through fiscal year 2032	63,825	65,305
UCHA	Revenue Bonds, Series 2015A, refunded in 2017	-	151,330
UCHA	Revenue Bonds, Series 2015B, refunded in 2017	-	57,405
UCHA	Revenue Bonds, Series 2015C, refunded in 2017	-	56,850
UCHA	Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	199,100	199,100
UCHA	Revenue Bonds, Series 2017A, due in installments through fiscal year 2047	152,075	-
UCHA	Revenue Bonds, Series 2017B-1, due in installments through fiscal year 2040	57,685	-
UCHA	Revenue Bonds, Series 2017B-2, due in installments through fiscal year 2025	57,125	-
UCHA	Revenue Bonds, Series 2017C, due in installments through fiscal year 2048 inclusive of unamortized premium of $22,991 at June 30, 2017	299,081	-
	Total long-term debt	1,849,074	1,576,185
	Less current portion	(29,653)	(27,822)
	Less long-term debt subject to short-term remarketing arrangements	(108,710)	(265,585)
		$ 1,710,711	$ 1,282,778

($s in thousands)

(12) Long-Term Debt and Leases (continued)

Changes in long-term debt for the year ended June 30, 2017 are as follows:

Entity	2017	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined	Capital leases	Various	$ 25,106	$ 1,284	$ -	$ (3,664)	$ 22,726	$ 3,534
MHS	City of Colorado Springs lease	10/01/12	101,111	-	-	(2,548)	98,563	2,627
Combined	Loan payable		4,032	-	-	(179)	3,853	192
PVHS	Series 2005A	03/01/05	49,914	-	6	-	49,920	-
PVHS	Series 2005B	03/01/05	82,828	-	9	-	82,837	-
PVHS	Series 2005C	03/01/05	81,443	-	24	-	81,467	-
UCHA	Series 2009A	08/06/09	42,135	-	15	(2,540)	39,610	1,920
UCHA	Series 2011B	11/09/11	99,500	-	-	(985)	98,515	1,085
UCHA	Series 2011C	11/16/11	50,915	-	-	(6,210)	44,705	6,535
UCHA	Series 2012A	10/01/12	269,871	-	(889)	(7,365)	261,617	2,470
UCHA	Series 2012B	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	11/18/13	90,695	-	-	(1,975)	88,720	2,090
UCHA	Series 2013B	11/18/13	11,135	-	-	(995)	10,140	1,060
UCHA	Series 2013C	11/18/13	65,305	-	-	(1,480)	63,825	1,580
UCHA	Series 2015A	02/03/15	151,330	(151,330)	-	-	-	-
UCHA	Series 2015B	02/03/15	57,405	(57,405)	-	-	-	-
UCHA	Series 2015C	02/03/15	56,850	(56,850)	-	-	-	-
UCHA	Series 2015D	09/01/15	199,100	-	-	-	199,100	460
UCHA	Series 2017A	02/16/17	-	152,075	-	-	152,075	-
UCHA	Series 2017B-1	02/16/17	-	57,685	-	-	57,685	-
UCHA	Series 2017B-2	02/16/17	-	57,125	-	-	57,125	6,100
UCHA	Series 2017C	02/16/17	-	301,378	(2,297)	-	299,081	-
	Total		$ 1,576,185	$ 303,962	$ (3,132)	$ (27,941)	$ 1,849,074	$ 29,653

($s in thousands)

(12) Long-Term Debt and Leases (continued)

Changes in long-term debt for the year ended June 30, 2016 are as follows:

Entity	2016	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined	Capital leases	Various	$ 29,228	$ -	$ -	$ (4,122)	$ 25,106	$ 3,545
MHS	City of Colorado Springs lease	10/01/12	103,582	-	-	(2,471)	101,111	2,548
Combined	Loan payable		4,198	-	-	(166)	4,032	179
PVHS	Series 2005A	03/01/05	49,908	-	6	-	49,914	-
PVHS	Series 2005B	03/01/05	82,819	-	9	-	82,828	-
PVHS	Series 2005C	03/01/05	81,419	-	24	-	81,443	-
UCHA	Series 2009A	08/06/09	43,119	-	16	(1,000)	42,135	2,540
UCHA	Series 2011A	05/01/11	200,180	(200,180)	-	-	-	-
UCHA	Series 2011B	11/09/11	100,485	-	-	(985)	99,500	985
UCHA	Series 2011C	11/16/11	56,820	-	-	(5,905)	50,915	6,210
UCHA	Series 2012A	10/01/12	277,750	-	(914)	(6,965)	269,871	7,365
UCHA	Series 2012B	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	11/18/13	92,695	-	-	(2,000)	90,695	1,975
UCHA	Series 2013B	11/18/13	12,140	-	-	(1,005)	11,135	995
UCHA	Series 2013C	11/18/13	66,780	-	-	(1,475)	65,305	1,480
UCHA	Series 2015A	02/03/15	151,330	-	-	-	151,330	-
UCHA	Series 2015B	02/03/15	57,405	-	-	-	57,405	-
UCHA	Series 2015C	02/03/15	56,850	-	-	-	56,850	-
UCHA	Series 2015D	09/01/15	-	200,180	-	(1,080)	199,100	-
	Total		$ 1,604,218	$ -	$ (859)	$ (27,174)	$ 1,576,185	$ 27,822

($s in thousands)

(12) Long-Term Debt and Leases (continued)

Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 29,653	$ 63,241	$ 92,894
2019	30,152	62,167	92,319
2020	34,518	60,303	94,821
2021	32,118	56,329	88,447
2022	33,476	52,776	86,252
2023-2027	225,967	226,445	452,412
2028-2032	264,985	187,424	452,409
2033-2037	315,146	137,536	452,682
2038-2042	361,292	80,772	442,064
2043-2047	399,681	26,201	425,882
2048	83,205	1,664	84,869
Total long-term debt payments	1,810,193	$ 954,858	$ 2,765,051
Unamortized net premium and discount	38,881		
Total carrying amount of long-term debt	$ 1,849,074		

UCHealth has entered into capital leases for certain medical equipment, building leases, and software licensing agreements. Monthly lease payments are required for these agreements, which include principal and interest. The maturity dates for these leases range from fiscal year 2018 through fiscal year 2029, and they are secured by the capital assets under the capital lease arrangements. During fiscal year 2017, the Health System entered into new capital lease agreements for equipment totaling $1,284.

At June 30, 2017, total capital assets and related accumulated depreciation under capital lease arrangements were $34,844 and $19,383, respectively. At June 30, 2016, total capital assets and related accumulated depreciation under capital lease arrangements were $38,895 and $20,604, respectively. Amortization expense under capital lease arrangements is included within depreciation and amortization in the accompanying balance sheets.

Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing MHS. The original capital lease is for a 40-year term with renewals or extensions anticipated. The lease totaled $110,000 and will be paid down in monthly payments over the term of the lease. Substantially all capital assets of MHS, with a book value and accumulated depreciation of $735,981 and $401,662, respectively, at June 30, 2017 and $688,218 and $370,022, respectively, at June 30, 2016, are included in the lease arrangement. Effective October 1, 2012, a Memorial Health System – Children's Hospital Colorado Sublease (the "Sublease") was entered into with Children's Hospital Colorado for 15% of the original capital lease under the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City. Total minimum sublease payments under the Sublease are $16,500 and will be received in monthly payments over the term of the Sublease.

(12) Long-Term Debt and Leases (continued)

In February 2017, UCHA issued Series 2017A Revenue Bonds ("Series 2017A") in the amount of $152,075 to fully refund UCHA Series 2015A Revenue Bonds. Series 2017A were issued as fixed rate bonds at a rate of 4.625% with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Concurrently, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of $152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association (SIFMA) Index plus 40 basis points. UCHealth settles with the counterparty semiannually, each May and November. The swap agreement expires in March 2027.

In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds ("Series 2017B") in the amounts of $57,685 and $57,125, respectively, to fully refund UCHA Series 2015B and 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2017, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In February 2017, UCHA issued Series 2017C-1 and Series 2017C-2 Revenue Bonds ("Series 2017C") in the amounts of $141,640 and $134,450 respectively to finance new projects across UCHealth. Series 2017C-1 were issued as 3 year put bonds at a premium. Series 2017C-2 were issued as 5 year put bonds at a premium with variable interest rates. Both series pay interest monthly and pay principal according to a mandatory sinking fund redemption schedule.

In September 2015, UCHA issued Series 2015D Revenue Bonds ("Series 2015D") in the amount of $200,180 to fully refund UCHA Series 2011A Revenue Bonds. Series 2015D were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. Wells Fargo Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a three-year term that will expire September 2018.

In February 2015, UCHA issued Series 2015A Revenue Bonds ("Series 2015A") in the amount of $151,330 to finance certain projects at the Anschutz Medical Campus, Poudre Valley Hospital, and Memorial Hospital. Series 2015A were issued as variable rate demand bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with certain remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2016, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. In February 2017, the Health System refunded Series 2015A in the amount of $151,330 to pursue interest rate savings.

(12) Long-Term Debt and Leases (continued)

In February 2015, UCHA issued Series 2015B Revenue Bonds ("Series 2015B") in the amount of $57,405 to fully refund UCHA Series 2006A Revenue Bonds. Series 2015B were issued as variable rate demand bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with certain remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2016, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. In February 2017, the Health System refunded Series 2015B in the amount of $57,405 to pursue interest rate savings.

In February 2015, UCHA issued Series 2015C Revenue Bonds ("Series 2015C") in the amount of $56,850 to fully refund PVHS Series 2005F Revenue Bonds. Series 2015C were issued as variable rate demand bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with certain remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2016, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintain unrestricted assets as a source of self-liquidity. In February 2017, the Health System refunded Series 2015C in the amount of $56,850 to pursue interest rate savings.

In November 2013, UCHA issued Series 2013A Revenue Bonds ("Series 2013A") in the amount of $94,645 to fully refund UCHA Series 2004A Revenue Bonds. Series 2013A were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a seven-year term that will expire November 2020.

In November 2013, UCHA issued Series 2013B Revenue Bonds ("Series 2013B") in the amount of $13,140 to fully refund UCHA Series 2008A Revenue Bonds. Series 2013B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a seven-year term that will expire November 2020.

In November 2013, UCHA issued Series 2013C Revenue Bonds ("Series 2013C") in the amount of $68,185 to fully refund UCHA Series 2008B Revenue Bonds. Series 2013C were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a seven-year term that will expire November 2020.

In October 2012, UCHA issued Series 2012A Revenue Bonds ("Series 2012A") to partially finance the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City to lease the Memorial Health System. UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. Series 2012A were issued in the amount of $272,090 and are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2015. Series 2012A were issued with an original issue premium of $21,975 and an original issue discount of $910. The average interest rate for Series 2012A is 4.26%.

(12) Long-Term Debt and Leases (continued)

In October 2012, UCHA issued Series 2012B Revenue Bonds ("Series 2012B") in the amount of $50,000 to fully refund UCHA Series 2004B Revenue Bonds. Series 2012B were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Citibank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a five-year term that will expire October 2017.

In October 2012, UCHA issued Series 2012C Revenue Bonds ("Series 2012C") in the amount of $87,510 to fully refund PVHS Series 2005D and 2005E Revenue Bonds. UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. Series 2012C were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedules. Wells Fargo Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. In September 2015, UCHA extended the direct purchase agreement with Wells Fargo Bank, N.A. on Series 2012C under a three-year term that will expire September 2018.

In November 2011, UCHA issued Series 2011B Revenue Bonds ("Series 2011B") in the amount of $103,940 to fully refund UCHA Series 1999A Revenue Bonds. Series 2011B were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a fixed interest rate of 3.28%. The direct purchase bonds were issued with a ten-year term that will expire November 2021.

In November 2011, UCHA issued Series 2011C Revenue Bonds ("Series 2011C") in the amount of $72,870 to finance equipment for use and certain other improvements at the Anschutz Medical Campus. Series 2011C were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. PNC Bank is the holder of the bonds at a current fixed interest rate of 2.31%. The direct purchase bonds were issued with an eleven-year term and will expire as the bonds fully mature in November 2022.

In May 2011, UCHA issued Series 2011A Revenue Bonds ("Series 2011A") in the amount of $200,180. The net proceeds were used to partially fund the construction of the second inpatient tower built on the Anschutz Medical Campus. Series 2011A are variable rate bonds that bear interest weekly as determined by the remarketing agent and pay principal according to a mandatory sinking fund redemption schedule. The average remarketed interest rate was 0.03% in 2016. In September 2015, UCHA issued Series 2015D in the amount of $200,180 to fully refund UCHA Series 2011A.

In August 2009, UCHA issued Series 2009A Revenue Bonds ("Series 2009A") in the amount of $51,795 to fully refund UCHA Series 2006B Revenue Bonds. Series 2009A are a fixed interest rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2011. Series 2009A were issued with an original issue discount of $239. The average interest rate for the Series 2009A is 5.87%.

In March 2005, PVHS issued $370,000 of Revenue Bonds to finance a portion of the costs of construction and equipping Medical Center of the Rockies and defease a portion of the PVHS Series 1999A Revenue Bonds. These bonds were issued through the Colorado Health Facilities Authority. This bond issuance included four separate series.

- PVHS Series 2005A Revenue Bonds ("Series 2005A") were issued in the amount of $50,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2028. Series 2005A were issued with an original issue discount of $136 and have an average interest rate of 5.20%.

($s in thousands)

(12) Long-Term Debt and Leases (continued)

- PVHS Series 2005B Revenue Bonds ("Series 2005B") were issued in the amount of $83,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2031. Series 2005B were issued with an original issue discount of $247 and have an average interest rate of 5.25%.

- PVHS Series 2005C Revenue Bonds ("Series 2005C") were issued in the amount of $82,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2036. Series 2005C were issued with an original issue discount of $759 and have an average interest rate of 5.25%.

All bonds are secured by a security interest with respect to all gross revenues of the Health System. The UCHA 1997A Master Indenture, as supplemented, and the PVHS amended and restated Master Trust Indenture as of 2005, as supplemented, each require the Health System to maintain certain financial ratios. During 2017 and 2016, the Health System met all of the financial ratio requirements.

Cash paid for interest was $51,348 and $47,299 in 2017 and 2016, respectively. Interest received on the unexpended bond funds in 2017 and 2016 was $2,212 and $3,032, respectively. Interest received on unexpended bond funds in 2017 and 2016 was offset against capitalized interest expense. Total capitalized interest expense to these projects was $2,474 and $366 in 2017 and 2016, respectively.

The fair value of the Health System's long-term debt is based on the most recent trading price as of June 30, 2017. The fair value of the Revenue Bonds at June 30, 2017 and 2016 was approximately $1,751,381 and $1,491,937, respectively.

UCHealth leases certain equipment and facilities under non-cancelable operating leases. Future minimum lease payments for equipment and facilities under non-cancelable operating leases as of June 30, 2017 are approximately:

Year Ending June 30,	
2018	$ 23,238
2019	18,952
2020	13,691
2021	8,880
2022	7,178
2023-2027	16,831
Total minimum obligations	$ 88,770

Rental expense, net of rental expense recovery, approximated $30,135 and $26,352 in 2017 and 2016 respectively.

(13) Self-Insurance Trust

UCD sponsors a self-insurance trust, the University of Colorado Self-Insurance and Risk Management Trust (the "Trust"), in which UCHA participates. The Trust was authorized by a Regent resolution dated June 23, 1985, and may be amended, altered, or revoked by UCD, but only if such amendment, alteration, or revocation is consistent with and in furtherance of the purpose of this Trust. The participants in the Trust are the University of Colorado (the "University"), including UCD and its agencies, administrators, faculty, and employees, and other affiliates of the University, including UCHA. As UCHA has transferred risk associated with this insurance into the public-entity risk pool of the Trust, the assets and liabilities of the Trust are not included in the accompanying basic financial statements.

The Trust provides coverage to its participants up to statutory limitations relating to malpractice claim immunity for government entities. The coverage is $350 per claimant and $990 per occurrence for claims arising from activities of covered persons and entities within the state of Colorado. The Trust also provides coverage of $1,000 per occurrence for claims arising outside the state of Colorado. The Trust contracts with a commercial insurance company to provide $6,000 per occurrence or aggregate per year for claims in which the limits of governmental immunity do not apply.

As of June 30, 2017, the Trust had a fund balance of approximately $5,611, which is net of approximately $9,428 in reserves for losses and loss adjustment expenses. At June 30, 2017, plan assets exceed the actuarially determined liability. For 2017 and 2016, UCHA recorded premium and administrative expenses of approximately $1,496 and $2,118, respectively. There were no refunds received during 2017 or 2016.

(14) Retirement Plans

UCHA offers four retirement plans: the University of Colorado Hospital Authority Retirement Plan (the "Basic Pension Plan"), as amended and restated, the University of Colorado Hospital Authority Fixed Contribution Investment Plan (the "Investment Account"), the University of Colorado Hospital Authority Matching Tax Deferred Annuity Plan (the "Matching Account"), and the University of Colorado Hospital Deferred Compensation Savings Plan (the "457b Plan"). The UCHA Board is the fiduciary for the Basic Pension Plan and has the ability to amend this plan. The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. The investment companies hold all funds contributed under these plans. The UCHA Board has the authority to establish and amend the benefit provisions of these plans.

(a) Pension Plans

UCHA participates in two pension plans that cover substantially all of its employees. As of October 1, 1989, UCHA's workforce was given the option of becoming employees of UCHA and participating in the Basic Pension Plan or remaining state employees of Colorado and continuing to participate in the Public Employees' Retirement Association ("PERA").

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

UCHA maintained a single-employer non-contributory, cash balance pension plan (the "Frozen Plan") for Hospital employees through March 1995. Under this plan, contributions credited to each covered employee's account were based on a percentage of compensation earned by the employee. Vesting under this plan was based on length of service. As of March 31, 1995, a final contribution was credited to the accounts of all covered employees of record on that date and the balances were frozen. Employee accounts continue to accrue interest based on the applicable interest rate as defined in Code Section 417(e)(3)(A)(ii)(II), and covered employees not fully vested in the Frozen Plan continue to earn credit toward vesting under a new plan adopted April 1, 1995. As of April 1, 1995, UCHA amended the Frozen Plan based on its ability to withdraw from the Old Age, Survivors, and Disability Insurance ("OASDI") component of the Federal Insurance Contributions Act ("FICA") program by virtue of its operation under legislatively granted state authority. UCHA and its employees still contribute to and participate in the Medicare component of FICA.

The Basic Pension Plan is a single-employer, non-contributory, defined benefit plan. Eligibility to receive benefits under this plan for UCHA employees starts on the date of hire. Those employees who were employed by UCHA prior to October 1, 1989, and those who elected to become UCHA employees, are eligible to participate. MHS employees active as of October 1, 2012, and PVHS employees active as of January 4, 2013, or hired thereafter are eligible for participation in the University of Colorado Hospital Authority Retirement Plan on that date. Effective September 1, 2012, participants are vested in their accrued benefit at 20% per every twelve months of service until they are 100% vested after five years. This is a change from the prior vesting schedule for UCHA employees, which required five years of service to become 100% vested.

The annual accrued benefits, paid monthly, of the Basic Pension Plan are calculated at 1.5% times the Average Annual Compensation times years of service (based on hire date). The five most highly compensated calendar years of service after March 26, 1995 are used to calculate the Average Annual Compensation. A small number of UCHA employees are eligible to receive additional benefits based on a combined age and years of credited service equal to or greater than 75 on January 1, 2013 ("Rule of 75"). The Basic Pension Plan offers reduced benefits for early retirement and adjusted benefits for late retirement (after age 65). Most plan participants, except those falling under the Rule of 75, will receive a monthly benefit with no annual cost of living adjustment factor, which is an amendment to the plan, effective for accruals on or after January 1, 2013.

Pension plan assets, which support both this and the Frozen Plan described above, consist of equity securities, fixed income securities, real estate, alternative investments, money market funds, cash, and receivables. Although the Basic Pension Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974 ("ERISA") and is, therefore, exempt from the requirements of Title I of ERISA, the Health System's practice is to contribute amounts at least equal to the minimum funding requirements of ERISA.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The actuarially computed net periodic pension cost for the Basic Pension Plan for 2017 and 2016 was approximately $80,312 and $78,765, respectively. Investment (losses) gains for 2017 and 2016, including interest, dividends, and realized and unrealized gains, were approximately $78,610 and $(476), respectively. Membership in the Basic Pension Plan consisted of the following at July 1, 2016 and 2015 (dates of the latest actuarial valuations):

	2016	2015
Retirees and beneficiaries receiving benefits	934	764
Terminated plan members entitled to but not yet receiving benefits	6,236	5,158
Active plan members, includes all participants within the system	16,986	15,512
Total members	24,156	21,434

As a governmental entity, UCHA has flexibility in determining the amount to contribute to the Basic Pension Plan each year. The actuarially determined contribution calculated as part of this report is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the Basic Pension Plan. It is calculated in a manner intended to remain relatively stable, as a percentage of valuation compensation, over time. This stability is intended to facilitate the annual budgeting process and to keep the cost of the Basic Pension Plan manageable. The Health System made contributions to the Basic Pension Plan of $74,356 and $68,000 in 2017 and 2016, respectively. The actuarially determined contributions were $74,356 and $67,969 in 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the Health System's average contribution rates were 7.02% and 7.23%, respectively, of annual payroll.

The Health System's net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2016 and 2015, respectively. The Health System utilized update procedures to roll valuation amounts forward to the respective measurement dates using the calculated service and interest cost, actual contributions, and return on plan assets.

Additional information as of the latest actuarial valuation date follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Actuarial assumptions	
i) Discount rate*	7.0%
ii) Projected salary increases*	3.6% to 6.5%
iii) Cost of living adjustments**	2.5%

* Includes inflation at 2.5%.
** Cost of living adjustments apply only to those participants who fall under the Rule of 75.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Mortality rates were based on the Sex-distinct RP-2014 mortality tables with base year 2006, without collar or amount adjustments, using a modified Scale MP-2015 with generational projections with ultimate convergence in 2017.

The actuary is required to use assumptions that represent his or her best estimate of future experience under the Basic Pension Plan and are reasonably related to the experience of the Plan. The actuary will monitor the actuarial experience under the Plan in future years in order to judge the continuing appropriateness of these assumptions. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through July 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a variety of industry-accepted practices to determine 10-year estimated ranges of future expected returns for major asset classes. For public equities, a building-block approach incorporating inflation, real earnings growth, dividend yield, and re-pricing was used. For fixed income, current yields and credit spreads were used. For the various alternative asset classes, a combination of historical risk premiums, illiquidity premiums, and style-specific premiums were used. The arithmetic average forecast returns for each asset class are combined at target asset allocation weights to provide a forecasted geometric (50th percentile) expected return for the plan. All figures shown are nominal (i.e., inclusive of inflation):

Asset Class	Target Allocation	Arithmetic Expected Return (10-Year Average)
Domestic equity	20%	6.1
International equity	21%	11.4
Fixed income	26%	4.0
Real estate	10%	6.4
Alternative	20%	8.8
Commodities	3%	5.5
	100%	

The discount rate used to measure the total pension liability was 7.0%, including 2.5% inflation. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Changes in the net pension liability for the years ended June 30, 2017 and 2016 were as follows.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	$ 643,003	$ 526,333	$ 116,670
Changes for the year			
Service cost	57,110	-	57,110
Interest	44,575	-	44,575
Contributions - employer	-	68,000	(68,000)
Net investment loss	-	(476)	476
Changes in assumptions and experience	(1,111)	-	(1,111)
Benefit payments	(14,047)	(14,047)	-
Administrative expense	-	(1,464)	1,464
Net changes	86,527	52,013	34,514
Balances at June 30, 2016	729,530	578,346	151,184
Changes for the year			
Service cost	63,156	-	63,156
Interest	50,527	-	50,527
Contributions - employer	-	74,356	(74,356)
Net investment income	-	78,610	(78,610)
Changes in experience	2,020	-	2,020
Benefit payments	(19,464)	(19,464)	-
Administrative expense	-	(1,746)	1,746
Net changes	96,239	131,756	(35,517)
Balances at June 30, 2017	$ 825,769	$ 710,102	$ 115,667

The pension plan's fiduciary net position as a percentage of the total pension liability was 86.0% and 79.3% as of June 30, 2017 and 2016, respectively.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The following presents the net pension liability of the Health System, calculated using the discount rate of 7.0%, as well as what the Health System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Net pension liability	$ 245,570	$ 115,667	10,358

For the years ended June 30, 2017 and 2016, the Health System recognized pension expense of $80,312 and $78,765, respectively. At June 30, 2017 and 2016, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2017		
Differences between expected and actual experience	$ 9,585	$ 3,060
Changes in assumptions	22,712	-
Net difference between projected and actual earnings on pension plan investments	-	2,757
Total	$ 32,297	$ 5,817
June 30, 2016		
Differences between expected and actual experience	$ 11,344	$ 4,409
Changes in assumptions	30,561	-
Net difference between projected and actual earnings on pension plan investments	30,456	-
Total	$ 72,361	$ 4,409

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	$ 8,969
2019	14,887
2020	8,192
2021	(5,583)
2022	15
	$ 26,480

At June 30, 2017, the Health System has made all required contributions to the pension plan for the year ended June 30, 2017.

UCHA's state employees are participants in a defined benefit pension plan of PERA, a cost-sharing multi-employer pension trust. Benefits are based upon length of service and compensation earned by the employee during the highest three years of service. UCHA has made contributions to PERA in accordance with actuarially determined funding amounts. Pension expense related to state employees was approximately $67 and $81 for 2017 and 2016, respectively. Required contributions during fiscal years 2017 and 2016 were $67 and $81, respectively. UCHA contributed 100% of each year's required contribution. As the Health System's proportionate share of PERA's net pension liability is insignificant, detailed disclosures regarding this plan are not included in this report. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(b) Investment Account

The Investment Account is a qualified, single-employer, defined contribution retirement plan under the provisions of Code Section 401(a). Employees are required to contribute 6.2% of their gross compensation (limited to the OASDI wage base), which is equivalent to what their OASDI contributions would be under FICA participation. Employees are always fully vested in this component of the plan. Total compensation subject to the plans for the years ended June 30, 2017 and 2016, was approximately $1,166,277 and $1,056,608, respectively. Total employee contributions made under the provisions of this plan were approximately $64,550 and $57,760 for the years ended June 30, 2017 and 2016, respectively. This represents approximately 5.53% of the current year's payroll. In accordance with Code regulations, the Heath System is required to provide an additional make-up contribution for certain part-time employees equal to 1.3% of their compensation until they are fully vested in the Basic Pension Plan. Make-up contributions made by UCHealth were approximately $605 and $547 in 2017 and 2016, respectively.

(14) Retirement Plans (continued)

(c) Matching Account

The Matching Account is a single-employer, tax-deferred annuity plan under the provisions of Code Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred up to legal limitations established under the Code. In addition, UCHealth will match employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% in their contributions; however, the Health System's matching contributions are subject to a five-year graduated vesting schedule. Certain part-time employees are not eligible for UCHealth matching contributions. UCHealth matching contributions for 2017 and 2016 were approximately $23,542 and $21,187, respectively.

As of October 1, 2012 Fidelity Investments became the exclusive investment option for employees of UCHA. Fidelity Investments provides a broad array of mutual funds with which to invest all contributions under the Investment Account and Matching Account. Prior to October 1, 2012 UCHA employees had the option to invest with TIAA-CREF and can continue to do so, although this investment company is no longer an option for employees of the Health System. Employee contributions to the Matching Account for 2017 and 2016 approximated $56,805 and $50,502, respectively.

(d) 457b Plan

The 457b Plan is a single-employer tax-deferred plan under the provisions of Code Section 457. The TIAA-CREF 457b Plan became effective in February 2005, and the Fidelity 457b Plan became effective in January 2011, whereby employees are eligible to contribute a percentage of their gross compensation, tax-deferred, up to legal limitations established under the Code. Only UCHA employees are able to contribute to the TIAA-CREF 457b Plan. Employees are always vested 100% in their contributions, and the Health System does not contribute to this plan. Employees may elect from a broad array of mutual funds with their respective investment companies. Employee contributions to the TIAA-CREF 457b Plan for 2017 and 2016 approximated $313 and $330, respectively. Employee contributions to the Fidelity 457b Plan in 2017 and 2016 approximated $8,981 and $7,575, respectively.

(e) Other Post-Employment Benefit Plan

In addition to the retirement plans mentioned above, UCHA provides a post-retirement medical premium subsidy to employees retiring from UCHA who are covered under the PERA benefit guarantee provision of the State of Colorado legislation creating the Authority. This plan provides a medical premium subsidy of up to $112 per month for medical plan coverage (pro-rated for less than 20 years of service) and an employer-funded life insurance benefit of $3,000. The employer-funded life insurance benefit is provided to all employees who retired from UCHA on or before July 1, 2015. The accumulated post-retirement benefit obligation and actuarial accrued liability, which is unfunded, for the medical and life premiums approximated $3,473 and $3,767 at June 30, 2017 and 2016, respectively. Total benefit costs (gains) related to this plan were $6 and $(2,229) for the years ended June 30, 2017 and 2016, respectively. In the calculation of the liability, a 7.0% discount rate was used and an assumption that 65% of eligible active employees would elect to be covered by the medical premium subsidy plan.

(15) Significant Transactions Between Component Units

UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board approves the operating and capital budgets of each entity throughout the system. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission and oversight of other day-to-day operating activities.

The Health System's balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows include transactions between the Health System and its component units.

Total current assets of UCHA include a receivable from affiliates that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS of $2,470 and $7,365 at June 30, 2017 and 2016, respectively, amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of $6,100, and $0, respectively, $4,224 and $1,641 related to interest due on intercompany bonds from MHS, PVHS, and CD at June 30, 2017 and 2016, respectively, and $147,794 and $89,917 at June 30, 2017 and 2016, respectively, related to transactions between UCHA, the Health System, and other component units. Total current assets of PVHS include $111,110 and $60,815 at June 30, 2017 and 2016, respectively related to transactions between PVHS, the Health System, and other component units. Total current assets of MHS include $8,630 and $3,883 at June 30, 2017 and 2016, respectively related to transactions between PVHS, the Health System, and other component units.

Total non-current assets of UCHA include a receivable from MHS that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets of $329,271 and $303,365 at June 30, 2017 and 2016, respectively. Total non-current assets of UCHA include a receivable from PVHS related to bond proceeds for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets of $201,967 and $215,485 at June 30, 2017 and 2016, respectively. Total non-current assets of UCHA include a receivable from CD related to bonds issued for the acquisition of capital assets of $239,265 at June 30, 2017.

Total current liabilities of MHS at June 30, 2017 and 2016 include $2,470 and $7,365, respectively, due to UCHA for the Series 2012A proceeds related to the acquisition of MHS, and $1,986 and $1,531 related to accrued interest on bond proceeds. Total current liabilities of PVHS at June 30, 2017 include $6,100 due to UCHA for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds. Total current liabilities of PVHS at June 30, 2017 and 2016 include a payable to affiliates of $591 and $109, respectively, related to accrued interest on bond proceeds. Total current liabilities of CD at June 30, 2017 include a payable to affiliates of $1,647 related to accrued interest on bond proceeds. CD has a payable to affiliates that is comprised of amounts due to component units of $246,753 and $142,401 related to transactions between CD, the Health System and other component units at June 30, 2017 and 2016, respectively. The Health System has a payable to affiliates that is comprised of amounts due to component units of $18,537 and $7,679 related to transactions between the Health System and UCHA, PVHS, MHS and CD at June 30, 2017 and 2016, respectively.

Total non-current liabilities of MHS at June 30, 2017 and 2016 include a payable to affiliates of $329,271 and $303,365, respectively, which is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets. Total non-current liabilities of PVHS at June 30, 2017 and 2016 include a payable to affiliates of $201,967 and $215,485, respectively, which is comprised of amounts due to UCHA for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets. Total non-current liabilities of CD at June 30, 2017 include a payable to affiliates of $239,265, which is comprised of amounts due to UCHA for bonds issued for the acquisition of capital assets.

(15) Significant Transactions Between Component Units (continued)

The Health System and its component units effectively pool their investments within the Health System's pooled investment account structure, with each component unit of the Health System reflecting their respective portion of cash and investments on their balance sheets at June 30, 2017 and 2016. PVHS's portion of pooled cash at June 30, 2017 and 2016 was $122,023 and $29,361, respectively. PVHS's portion of pooled investments at June 30, 2017 and 2016 was $1,231,086 and $1,062,001, respectively. UCHA's portion of pooled cash at June 30, 2017 and 2016 was $177,116 and $43,458, respectively. UCHA's portion of pooled investments at June 30, 2017 and 2016 was $1,786,913 and $1,571,886, respectively. MHS's portion of pooled cash at June 30, 2017 and 2016 was $9,831 and $1,851, respectively. MHS's portion of pooled investments at June 30, 2017 and 2016 was $99,187 and $66,943, respectively.

(16) Related-Party Transactions

UCHA is affiliated with the State of Colorado; TriWest; University of Colorado Medicine ("CU Medicine"); Colorado Access; and the University, consisting of UCD, the Trust, and the Adult Clinical Research Center ("CRC").

(a) UCD

UCD and UCHA have developed an Institutional Master Plan (the "Master Plan") to create a new academic health sciences center over the next 20 to 50 years on the Anschutz Medical Campus. The Master Plan has been approved by the Regents, UCHA, and the Colorado Commission on Higher Education. The Regents and UCHA entered into a ground lease in 1998 for approximately 18.4 acres of the property acquired by the Regents pursuant to the quitclaim conveyance from the United States Department of Education. Subsequent agreements have been executed between these parties to provide additional land to UCHA, which has been used to continue development of the Anschutz Medical Campus. As a result, UCHA has expanded its facilities with an office tower, parking garage, inpatient towers, and additional staff and patient parking structures. As a result of continued growth, UCHA is currently building out shelled space to add 60 additional patient beds and four operating room suites to meet continued strong demand for its inpatient services.

Consistent with the joint planning process reflected in the Master Plan, the Regents and UCHA have agreed in the Fitzsimons Ground Lease that additional agreements will be necessary for development of the Anschutz Medical Campus. The Regents, Children's Hospital Colorado, and UCHA entered into an Amended and Restated Infrastructure Development and Maintenance Agreement effective July 1, 2004, which sets forth how the three parties will plan and construct infrastructure, share the cost of such planning and construction, and share in the related maintenance expenses of the infrastructure.

Under the operating agreement between the Regents of the University and UCHA dated July 1, 1991, the Regents have entered into contracts with UCHA for the provision of services in support of programs and operations of UCHA, including providing personnel, physical plant maintenance, and other general and administrative services. UCHA paid approximately $59,638 and $52,531 for these services, which are recorded in purchased services and other expenses in 2017 and 2016, respectively.

UCHA has also entered into contracts with the Regents for the provision of services to UCD, including clinic services, research projects, infrastructure expense, and other items. Reimbursements of approximately $1,843 and $2,031 were recognized in other operating revenue for these services during 2017 and 2016, respectively.

(16) Related Party Transactions (continued)

(a) UCD (continued)

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to CRC. Charges of approximately $1,843 and $2,031 were billed to CRC for the cost of these services during 2017 and 2016, respectively, and were recognized in other operating revenue. Amounts due from UCD, including CRC, were approximately $298 and $439 at June 30, 2017 and 2016, respectively, and are included in related-party receivables on the balance sheets. UCHA recorded amounts due to UCD of $1,118 and $1,147 at June 30, 2017 and 2016, respectively, for contract labor costs and School of Pharmacy support expenses.

Effective July 1, 2014, UCHealth entered into a five-year academic support agreement with the University of Colorado School of Medicine. The agreement provides that UCHealth make annual academic support donations to enhance the ability of the School of Medicine to fulfill its academic missions of educating students in health-related disciplines and professions and furthering basic and applied biomedical research. The academic support donation for the year ended June 30, 2017 is estimated at $25,093. The amount paid for the academic support donation for the year ended June 30, 2016 was and $25,687.

(b) TriWest

TriWest was formed to deliver healthcare services to eligible beneficiaries of TriCare within certain specified geographic regions. On June 27, 1996, TriWest was awarded the TriCare contract by the Department of Defense for a five-year period of healthcare service delivery, which began in April 1997. UCHA entered into certain provider and network management agreements with TriWest in 1996. TriWest lost its contract with the Department of Defense when the contract was awarded to United Healthcare during the year ended June 30, 2012. The new contract awarded to United Healthcare involved a one-year transition period starting April 1, 2013. TriWest is reviewing its business plan regarding this event and is building its future strategy.

UCHA purchased a minority interest in TriWest for approximately $3,300. In October 2007, UCHA sold 1,656.55 shares for approximately $18,053 to TriWest. After the sale, CU Medicine had a 60% share of UCHA's minority interest in TriWest. In March 2014, TriWest restructured its ownership resulting in UCHA and CU Medicine selling their stock back to TriWest and receiving new stock valued at $9,250.

UCHA's investment is accounted for under the cost method and is valued at approximately $6,000 at June 30, 2017 and 2016.

(c) CU Medicine

During the years ended June 30, 2017 and 2016, UCHealth recognized approximately $72,343 and $41,553, respectively, in contract expense to CU Medicine for contractual reimbursement of faculty administrative services and recruitment support. UCHA also recognized expenses of approximately $42,343 and $42,640 during the years ended June 30, 2017 and 2016, respectively, that represent reimbursements channeled through UCHA by external entities for services provided by CU Medicine on behalf of those external entities (e.g., Ryan White program) and for reimbursements for hospital-based programs for services provided by CU Medicine on behalf of UCHA (e.g., on-call services, joint networking, administrative, and other miscellaneous programs).

(16) Related Party Transactions (continued)

(c) CU Medicine (continued)

UCHealth recorded net payables to CU Medicine of $4,381 and $1,817 at June 30, 2017 and 2016, respectively, for various contract labor and provider support expenses and TriWest pass-through balances.

UCHA has entered into a joint operating agreement with CU Medicine to establish an imaging center located in Denver, Colorado. The imaging center provides 3T MRI imaging services to UCHA's patients and is operated on the terms set forth in the agreement. Capital contributions and division of revenue and expenses will be split between the two organizations as defined within the agreement.

(d) The Children's Hospital

In July 2010, UCHA began a joint maternal fetal program in conjunction with Children's Hospital Colorado ("CHCO") to establish a center for advanced maternal fetal medicine offering state-of-the-art care for high-risk pregnant women and their babies. The program is defined in an operating agreement that details the cost and revenue sharing between the two hospitals. UCHA has recorded a related-party payable to CHCO at June 30, 2017 and 2016, of $17,508 and $11,566, respectively.

Effective October 1, 2012, a sublease was executed with CHCO to operate the pediatric units located at Memorial Health System and was valued at 15% of the organization. CHCO paid the corresponding amount of the upfront payment and continues to pay its percentage of the ongoing lease payments to the City. On June 4, 2015, MHS became the licensed operator of the pediatric services and certain provisions of the sublease were temporarily suspended and replaced by a Management Services Agreement and Employee Lease between MHS and CHCO. It is anticipated that the original provisions of the lease will be reinstated in fiscal year 2019. Included in other receivables is $1,284 and $807 at June 30, 2017 and 2016, respectively, for the current portion of the sublease receivable from CHCO and related accrued interest. Included in other non-current assets is $15,198 at June 30, 2017 and 2016, for the long-term portion of the sublease receivable from CHCO. Included in other current liabilities at June 30, 2017 and 2016 are $1,158 and $967, respectively, due to CHCO for contract labor costs for the work of CHCO employees in MHS units. MHS also provides services for CHCO patients, MHS employees periodically perform contract labor work on the pediatric units on behalf of CHCO, and MHS purchases certain supplies for the pediatric units on behalf of CHCO. MHS has a receivable from CHCO of $95 and $86 at June 30, 2017 and 2016, respectively. Revenue received by MHS for services provided to CHCO patients totaled $80 for the year ended June 30, 2016.

(16) Related Party Transactions (continued)

(e) VEBA Trust

On July 1, 2010, UCHA entered into an agreement with CU Medicine and the Regents to begin a self-insurance trust known as the Colorado Health and Welfare Trust (the "VEBA Trust") for the benefit of eligible employees of the University, CU Medicine, and UCHA and their eligible dependents, including employees of UCHA at MHS. The VEBA Trust is managed by a third-party administrator and provides healthcare coverage for eligible employees of the three organizations. The VEBA Trust also manages the healthcare flexible spending plans of the three organizations. The VEBA Trust functions as a retrospectively rated contract in which the initial premium is adjusted based on actual experience. For the years ended June 30, 2017 and 2016, UCHealth expensed initial premiums of approximately $189,508 and $156,768, respectively, to the VEBA Trust. At June 30, 2017 and 2016, UCHealth recorded liabilities of approximately $10,118 and $8,290, respectively, for its share of costs in excess of initial premiums expensed. The amount of costs in excess of initial premiums expensed is estimated by management based on an analysis of historical claims development combined with available information on current year experience. Actual results could differ from those estimates.

(f) UCHealth Partners, LLC

UCHealth owns a 50.1% interest in UCHealth Partners, LLC. UCHealth also provides certain shared services, management services, and leased employee arrangements to UCHealth Partners, LLC. UCHealth recognized $1,965 and $713 for the years ending June 30, 2017 and 2016, respectively, in revenues from providing these services to UCHealth Partners, LLC, and recognized $11,026 and $585 for the years ending June 30, 2017 and 2016, respectively, in salary cost recovery for the leased employee arrangements. Included in other receivables are $7,592 and $1,277, respectively for amounts owed to UCHealth under these arrangements.

(g) Other Related Parties

UCHA and two other entities participate as members in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide health maintenance organization that serves Medicaid patients. There are no earnings distribution agreements between Colorado Access and UCHA. Requests for financial information for Colorado Access should be addressed to Colorado Access, President and CEO, 10065 East Harvard Avenue, Suite 600, Denver, Colorado 80231.

In August 2001, UCHA entered into an agreement to loan Colorado Access $625. The principal and interest were due on or before August 24, 2004. The interest rate is equal to the Federal Reserve Bank of New York's prime rate on August 24 of each year that the principal amount is outstanding. The principal and accrued interest amounts are included in related-party receivables on the balance sheets. Colorado Access is unable to specify a timeline for repayment of this loan as a result of current negotiations with the Colorado Division of Insurance regarding steps to be taken to achieve required levels of risk-based capital. The outstanding loan balance has been transferred to UCHealth.

(17) Commitments and Contingencies

A substantial portion of the Health System's revenue is received under contractual arrangements with Medicare, Medicaid, and the military and other governmental programs. Payments from these payors are based on a combination of prospectively determined rates and retrospectively settled cost reimbursement. Final settlement of the amounts due to the Health System or payable to the payors is subject to the laws and regulations governing these programs and post-payment audits that may result in further adjustments by the payors. Additionally, these payments are subject to other routine post-payment reviews, audits, and investigations that may result in refunds, repayments, or other financial settlements. Specific accruals related to such contractual arrangements are included in the basic financial statements.

UCHealth has entered into contracts for significant new construction and expansion projects it is currently undertaking. At June 30, 2017, UCHealth has committed contract expenditures for these significant projects of $490,938.

At June 30, 2017, UCHealth has outstanding letters of credit totaling $14,419.

(18) Subsequent Events

The Health System has evaluated subsequent events through the auditors' report date.

Effective September 1, 2017, UCHealth entered into an Integration and Affiliation Agreement with Yampa Valley Medical Center (YVMC) for UCHealth to become the sole member of YVMC in return for a contribution to the Yampa Valley Medical Center Foundation of $20,000 and certain future capital and strategic spending commitments.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

June 30, 2017 and 2016
($s in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	$ 63,156	$ 57,110	$ 49,411	$ 50,305	$ 38,706
Interest	50,527	44,575	37,092	29,718	25,456
Plan changes	-	-	10,490	-	-
Difference in expected and actual experience	2,020	4,388	15,584	-	(9,722)
Changes in assumptions	-	(6,213)	37,858	-	20,164
Benefits payments	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Other	-	714	(713)	-	-
Net change in total pension liability	96,239	86,527	137,534	70,202	66,241
Total pension liability - beginning	729,530	643,003	505,469	435,267	369,026
Total pension liability - ending (a)	$ 825,769	$ 729,530	$ 643,003	$ 505,469	$ 435,267
Plan fiduciary net position					
Contributions - employer	$ 74,356	$ 68,000	$ 66,184	$ 56,311	$ 45,310
Net investment income (loss)	78,610	(476)	12,212	56,354	31,947
Benefits payments	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Administrative expense	(1,746)	(1,464)	(1,453)	(794)	(543)
Net change in plan fiduciary net position	131,756	52,013	64,755	102,050	68,351
Plan fiduciary net position - beginning	578,346	526,333	461,578	359,528	291,177
Plan fiduciary net position - ending (b)	$ 710,102	$ 578,346	$ 526,333	$ 461,578	$ 359,528
UC Health's net pension liability - ending (a) - (b)	$ 115,667	$ 151,184	$ 116,670	$ 43,891	$ 75,739
Plan fiduciary net position	86.0%	79.3%	81.9%	91.3%	82.6%
Covered employee payroll	$ 1,059,420	$ 940,375	$ 862,612	$ 807,135	$ 584,097
Net pension liability as a percentage of covered payroll	10.9%	16.1%	13.5%	5.4%	13.0%

Note to Schedule:

Changes of assumptions – Based on the results of an experience study, retirement and termination rates, salary increase rates, and the assumption regarding election of form of payment upon retirement were updated in 2013. These changes increased the present value of projected benefits by $20,164.

The assumed rates of mortality were updated in 2015 based on adopting the RP-2014 mortality tables. This change decreased the present value of projected benefits by $6,213 in 2016. This change increased the present value of projected benefits by $37,858 and increased the actuarially determined contribution by $8,306 in 2016.

UNIVERSITY OF COLORADO HEALTH

June 30, 2017 and 2016
($s in thousands)

Schedule of Contributions
(Last 10 Fiscal Years)

	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 74,356	$ 74,356	$ -	$ 1,059,420	7.02%
2016	$ 67,969	$ 68,000	$ (31)	$ 940,375	7.23%
2015	$ 66,184	$ 66,184	$ -	$ 862,612	7.67%
2014	$ 56,311	$ 56,311	$ -	$ 807,135	6.98%
2013	$ 45,310	$ 45,310	$ -	$ 584,097	7.76%
2012	$ 26,398	$ 26,398	$ -	$ 256,158	10.31%
2011	$ 20,101	$ 20,101	$ -	$ 236,621	8.50%
2010	$ 19,182	$ 19,182	$ -	$ 219,877	8.72%
2009	$ 16,265	$ 23,600	$ (7,335)	$ 196,729	12.00%
2008	$ 16,109	$ 16,109	$ -	$ 189,958	8.48%

Notes to Schedule

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Investment rate of return	7.0%, includes inflation at 2.5%
Projected salary increases	3.6% to 6.5%
Cost of living adjustments	2.5%
Mortality	In the 2016 and 2015 actuarial valuation, mortality rates were based on the RP-2014 mortality table. In prior years, those assumptions were based on the RP-2000 mortality table.

Other information:

In October 2012 and January 2013, employees of Memorial Hospital and Poudre Valley Hospital, respectively, were eligible to join the Basic Pension Plan.

UNIVERSITY OF COLORADO HEALTH

June 30, 2017 and 2016
($s in thousands)

Schedule of Pension Plan Investment Returns

Year Ending June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	13.10%
2016	-0.90%
2015	2.40%
2014	15.00%
2013	10.60%
2012	-0.60%
2011	21.90%
2010	12.20%
2009	-15.90%
2008	-4.00%

SUPPLEMENTARY INFORMATION

UNIVERISTY OF COLORADO HEALTH

Combining Balance Sheet

June 30, 2017

($s in thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Community Division	University of Colorado Health	Obligated Group Eliminations	Obligated Group Consolidated	Lakota Lake, LLC	UCHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Assets												
Current assets												
Cash and cash equivalents	$ 177,167	$ 122,081	$ 13,132	$ 3,420	$ -	$ -	$ 315,800	$ -	$ 2,425	$ 5,816	$ -	$ 324,041
Patient accounts receivable, net of allowances for uncollectible accounts	202,106	117,733	85,735	6,443	-	-	412,017	-	-	-	-	412,017
Other receivables	3,500	4,799	5,657	7,344	2,721	(5,464)	18,557	-	182	7,663	-	26,402
Receivables from affiliates	147,790	90,769	8,630	-	-	(244,983)	2,206	23,292	-	9,809	(35,307)	-
Inventories	32,855	18,304	13,997	1,215	-	-	66,371	-	-	-	-	66,371
Prepaid expenses	17,975	8,064	8,011	114	16,086	-	50,250	-	31	15	-	50,296
Investments designated for liquidity support	108,710	-	-	-	-	-	108,710	-	-	-	-	108,710
Total current assets	690,103	361,750	135,162	18,536	18,807	(250,447)	973,911	23,292	2,638	23,303	(35,307)	987,837
Non-current assets												
Restricted investments, bonds	11,464	30,299	9,739	93,863	-	-	145,365	-	-	-	-	145,365
Restricted investments, other	44	265	44	527	651	-	1,531	-	-	-	-	1,531
Restricted investments and pledges, donors	3,771	-	-	-	146	-	3,917	-	-	39,160	-	43,077
Capital assets, net of accumulated depreciation	864,952	439,871	334,319	280,026	75,084	-	1,994,252	-	43	378	-	1,994,673
Long-term investments	1,678,203	1,233,132	99,187	-	-	-	3,010,522	-	-	7,775	-	3,018,297
Long-term receivables from affiliates	770,503	-	-	-	-	(770,503)	-	-	-	-	-	-
Other investments	7,217	40,733	2,110	75,686	5,995	(1,519)	130,222	7,601	-	1,456	(38,344)	100,935
Long-term prepaid expenses	-	8,898	-	-	-	-	8,898	-	-	-	-	8,898
Other assets	1,930	4,749	16,693	144	938	-	24,454	-	-	(52)	-	24,402
Total non-current assets	3,338,084	1,757,947	462,092	450,246	82,814	(772,022)	5,319,161	7,601	43	48,717	(38,344)	5,337,178
Total assets	4,028,187	2,119,697	597,254	468,782	101,621	(1,022,469)	6,293,072	30,893	2,681	72,020	(73,651)	6,325,015
Deferred Outflows of Resources												
Deferred amortization on refundings	6,241	178	-	-	-	-	6,419	-	-	-	-	6,419
Deferred amortization of pension	16,355	7,729	7,672	(324)	865	-	32,297	-	-	-	-	32,297
Deferred amortization on acquisitions	-	-	5,744	9,168	-	-	14,912	-	-	-	-	14,912
Total deferred outflows of resources	22,596	7,907	13,416	8,844	865	-	53,628	-	-	-	-	53,628
Total assets and deferred outflows of resources	$ 4,050,783	$ 2,127,604	$ 610,670	$ 477,626	$ 102,486	$ (1,022,469)	$ 6,346,700	$ 30,893	$ 2,681	$ 72,020	$ (73,651)	$ 6,378,643
Liabilities and Net Position												
Current liabilities												
Current portion of long-term debt	$ 23,553	$ 3,281	$ 2,627	$ -	$ 192	$ -	$ 29,653	$ -	$ -	$ -	$ -	$ 29,653
Accounts payable and accrued expenses	114,344	83,286	52,373	13,349	60,381	(5,464)	318,269	-	145	2,065	-	320,479
Accounts payable - construction	3,546	1,410	3,615	32,699	87	-	41,357	-	-	-	-	41,357
Accrued compensated absences	24,644	21,040	13,990	1,469	11,413	-	72,556	-	111	37	-	72,704
Payables to affiliates	-	6,691	4,456	248,400	18,537	(244,983)	33,101	-	2,206	-	(35,307)	-
Accrued interest payable	6,421	3,754	-	-	24	-	10,199	-	-	-	-	10,199
Fair value of derivative instruments	3,368	-	-	-	-	-	3,368	-	-	-	-	3,368
Estimated third-party settlements, net	120,740	32,188	61,781	-	-	-	214,709	-	-	-	-	214,709
Long-term debt subject to short-term remarketing	108,710	-	-	-	-	-	108,710	-	-	-	-	108,710
Total current liabilities	405,326	151,650	138,842	295,917	90,634	(250,447)	831,922	-	2,462	2,102	(35,307)	801,179
Long-term liabilities												
Long-term debt, less current portion	1,377,697	233,417	95,936	-	3,661	-	1,710,711	-	-	-	-	1,710,711
Long-term payables to affiliates	-	201,967	329,272	239,264	-	(770,503)	-	-	-	-	-	-
Fair value of derivative instruments, less current portion	23,383	-	-	-	3,990	-	27,373	-	-	-	-	27,373
Net pension liability	92,909	12,002	7,321	(161)	3,596	-	115,667	-	-	-	-	115,667
Other long-term liabilities	2,534	3,655	2,281	313	1,542	-	10,325	-	18	3	-	10,346
Total liabilities	1,901,849	602,691	573,652	535,333	103,423	(1,020,950)	2,695,998	-	2,480	2,105	(35,307)	2,665,276
Deferred Inflows of Resources												
Deferred amortization of pension	4,719	(742)	2,690	87	(937)	-	5,817	-	-	-	-	5,817
Total deferred inflows of resources	4,719	(742)	2,690	87	(937)	-	5,817	-	-	-	-	5,817
Total liabilities and deferred inflows of resources	1,906,568	601,949	576,342	535,420	102,486	(1,020,950)	2,701,815	-	2,480	2,105	(35,307)	2,671,093
Net position												
Invested in capital assets, net of related debt	130,563	2,859	(99,556)	8,589	71,795	-	114,250	-	43	378	-	114,671
Restricted												
Expendable												
Held by trustee for debt service	11,464	30,299	9,739	93,863	-	-	145,365	-	-	-	-	145,365
Restricted by donors	-	-	25	-	-	-	25	-	-	16,427	-	16,452
Non-expendable												
Permanent endowments	-	-	-	-	-	-	-	-	-	27,989	-	27,989
Minority interest in component unit	-	22,729	-	-	-	-	22,729	-	-	-	1,977	24,706
Unrestricted	2,002,188	1,469,768	124,120	(160,246)	(71,795)	(1,519)	3,362,516	30,893	158	25,121	(40,321)	3,378,367
Net position	2,144,215	1,525,655	34,328	(57,794)	-	(1,519)	3,644,885	30,893	201	69,915	(38,344)	3,707,550
Total liabilities and net position	$ 4,050,783	$ 2,127,604	$ 610,670	$ 477,626	$ 102,486	$ (1,022,469)	$ 6,346,700	$ 30,893	$ 2,681	$ 72,020	$ (73,651)	$ 6,378,643

UNIVERSITY OF COLORADO HEALTH

Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2017

($s in thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Community Division	Obligated Group Eliminations	Obligated Group Consolidated	Lakota Lake, LLC	UCHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Operating revenue											
Net patient service revenue, net of provision for bad debts	$ 1,623,588	$ 1,157,168	$ 781,425	$ 38,128	$ -	$ 3,600,309	$ -	$ -	$ -	$ -	$ 3,600,309
Other operating revenue	22,454	28,492	17,032	(2,723)	(1,329)	63,926	7,868	201	2,698	(6,726)	67,967
Total operating revenue	1,646,042	1,185,660	798,457	35,405	(1,329)	3,664,235	7,868	201	2,698	(6,726)	3,668,276
Operating expenses											
Wages, contract labor, and benefits	556,330	524,581	385,817	45,702	-	1,512,430	-	-	2,355	(79)	1,514,706
Supplies	385,460	221,233	148,876	6,475	-	762,044	-	-	27	-	762,071
Purchased services and other expenses	370,990	171,990	166,019	12,724	(1,329)	720,394	-	-	5,916	(3,310)	723,000
Depreciation and amortization	77,917	54,401	38,303	3,559	-	174,180	-	-	97	-	174,277
Total operating expenses	1,390,697	972,205	739,015	68,460	(1,329)	3,169,048	-	-	8,395	(3,389)	3,174,054
Operating income	255,345	213,455	59,442	(33,055)	-	495,187	7,868	201	(5,697)	(3,337)	494,222
Non-operating revenue and expenses:											
Interest expense	(35,420)	(15,887)	(15,431)	(3,220)	19,103	(50,855)	-	-	(119)	119	(50,855)
Investment income	208,710	131,269	10,295	241	(19,103)	331,412	-	-	3,817	(119)	335,110
Unrealized loss on derivative investments	14,413	(3,237)	869	-	-	12,045	-	-	-	-	12,045
Gain (loss) on disposal of capital assets	1,281	(604)	(322)	(25)	-	330	-	-	(3)	-	327
Other, net	(15,718)	(11,705)	(11,425)	(337)	-	(39,185)	-	-	1,479	(1,555)	(39,261)
Total non-operating revenue and expenses	173,266	99,836	(16,014)	(3,341)	-	253,747	-	-	5,174	(1,555)	257,366
Excess of revenue over expenses before distributions and contributions	428,611	313,291	43,428	(36,396)	-	748,934	7,868	201	(523)	(4,892)	751,588
(Distributions to) contributions from minority interest in component unit	-	(7,184)	-	-	-	(7,184)	-	-	2,500	-	(4,684)
Contributions from affiliates	-	-	-	-	-	-	-	-	7,500	(7,500)	-
Contributions restricted for capital assets	-	1,102	-	-	-	1,102	-	-	10	(1,102)	10
Contributions restricted, other	(344)	-	273	13	-	(58)	-	-	4,442	(368)	4,016
Change in net position	428,267	307,209	43,701	(36,383)	-	742,794	7,868	201	13,929	(13,862)	750,930
Net position, beginning of year	1,715,948	1,218,446	(9,373)	(21,411)	(1,519)	2,902,091	23,025	-	55,986	(24,482)	2,956,620
Net position, end of year	$ 2,144,215	$ 1,525,655	$ 34,328	$ (57,794)	$ (1,519)	$ 3,644,885	$ 30,893	$ 201	$ 69,915	$ (38,344)	$ 3,707,550