UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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

EKS&H

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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

This discussion and analysis of the financial performance of the University of Colorado Hospital Authority ("UCHA") provides an overall review of UCHA'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 UCHA's basic financial statements.

Joint Operating Agreement and Integration and Affiliation Agreement

Effective July 1, 2012, University of Colorado Health ("UCHealth" or the "Health System") was created through a joint operating agreement with Poudre Valley Health Care Inc. ("PVHS") and UCHA. Together, UCHA and PVHS are member organizations in the Health System. UCHealth 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 Health 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 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.

The initial 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 of Colorado Springs. 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 during or around July 2017.

Financial Highlights

- Inpatient volumes, measured in admissions and patient days, increased over 2016. Volumes include all volumes except those associated with the Center for Dependency, Addiction, and Rehabilitation ("CeDAR") and normal newborns. Admissions increased 0.4% in 2017 compared to 2016. Patient days increased 4.8% in 2017 compared to 2016. Medical/surgical admissions increased 0.70% in 2017 compared to 2016. Inpatient volume growth was partially driven by the continued operations and completion of shelled floor space in the new inpatient tower on the Anschutz Campus. The additional beds have helped reduce capacity constraints that were previously present for UCHA.

Financial Highlights (continued)

- Outpatient volumes, measured by clinic visits, increased 11.0% over 2016 clinic visits.

- Net patient service revenue of $1,623,588 increased by $165,913 or 11.4% over 2016. Total operating revenue in 2017 was $1,646,038, which is a $164,538 increase over 2016. Total operating revenue consists of net patient revenue, grant revenue, and other operating revenue.

- Operating income was $254,912 during the fiscal year, which is a 4.4% increase over 2016 operating income of $244,143. The increase is due to a continued patient demand for UCHA services coupled with capacity growth due to recent expansions.

- 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 UCHA's basic financial statements. Operating income would be $219,492 in 2017 and $215,153 in 2016 if interest expense was included as an operating expense.

- Non-operating revenue and expenses in 2017 were $176,238, which was a $203,377 increase from 2016. This amount is primarily generated from investment income totaling $211,681 and an unrealized gain on derivative instruments of $14,413. The income is offset by interest expense of $35,420. The year-over-year increase was driven by higher investment market performance in 2017.

- Income before contributions was $431,150 in 2017, which was an increase of $214,146 over 2016.

- 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 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. Both series pay interest monthly and principal is paid according to a mandatory sinking fund redemption schedule.

Hospital Highlights

- During fiscal year 2017, UCHA completed construction to build out the shelled floors, and work continues on construction of the 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. The project has a total budgeted cost of $82,556, and work continues into fiscal year 2018. $3,699 and $18,416 was incurred on this project during the years ended June 30, 2017 and 2016, respectively.

- In February 2016, UCHA approved a project to complete four additional operating rooms in the Anschutz Inpatient Pavilion. This project has a total budgeted cost of $18,507,896 and includes expansion of the AIP Sterile Processing Department. This expansion was approved to meet the increased demand for inpatient and outpatient operating room capacity and is expected to be completed in fiscal year 2018.

- In December 2014, UCHA approved a 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. The project has a total budgeted cost of $15,786 and is expected to be completed in fiscal year 2017. $5,354 and $11,015 was incurred on this project during the years ended June 30, 2017 and 2016, respectively.

- In May 2015, UCHealth completed an annual ratings update with Moody's and Standard & Poor's to rate the member organizations. Moody's maintained UCHA at Aa3 Stable. Standard & Poor's maintained its rating at AA-, but revised the outlook to Stable.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to UCHA's basic financial statements, which consist of the enterprise fund; the pension trust fund; and the University of Colorado Hospital Foundation, which is presented as a blended component unit, and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

UCHA has two types of funds: an enterprise fund, which accounts for all transactions related to UCHA's and the Foundation's business, as well as a fiduciary fund for UCHA's employee pension plan (for which the UCHA Board of Directors is the fiduciary).

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 UCHA's financial health. The balance sheets include all of UCHA'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 to 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

Table 1
University of Colorado Hospital Authority
Balance Sheets

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:

	2017	2016
Current assets	$ 702,567	$ 624,733
Capital assets, net of accumulated depreciation	864,952	886,823
Non-current assets and other assets	2,509,810	1,873,311
Total assets	4,077,329	3,384,867
Deferred amortization on refundings	6,241	6,670
Deferred amortization related to pension plan	16,355	30,207
Total deferred outflows of resources	22,596	36,877
Total assets and deferred outflows of resources	$ 4,099,925	$ 3,421,744
Current liabilities	$ 405,827	$ 566,327
Long-term liabilities	1,496,522	1,091,806
Total liabilities	1,902,349	1,658,133
Deferred amortization related to pension plan	4,719	3,451
Total liabilities and deferred inflows of resources	1,907,068	1,661,584
Net position		
Invested in capital assets, net of related debt	130,563	179,161
Restricted		
Expendable		
Held by trustee for debt service	11,464	4,488
Restricted by donors	10,443	11,931
Non-expendable		
Permanent endowments	21,534	20,867
Unrestricted	2,018,853	1,543,713
Total net position	2,192,857	1,760,160
Total liabilities, deferred inflows of resources, and net position	$ 4,099,925	$ 3,421,744

Financial Analysis and Results of Operations (continued)

At June 30, 2017, UCHA's total net position was $2,192,857, which is an increase in total net position of $432,697 or 24.6% from the prior year-end. UCHA 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 improved operating performance due to growing volumes, revenue enhancements, and continued cost controls.

At June 30, 2017, UCHA's unrestricted cash and investment position increased $351,672 compared to June 30, 2016.

Days cash on hand for UCHA, excluding cash and investments restricted and held for affiliates, was 547.2 days, and net days in accounts receivable was 45.4 days as of June 30, 2017, compared to 473.2 days cash on hand and 40.0 net days in accounts receivable as of June 30, 2016.

($s in thousands)

Revenue and Expenses

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

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

	Fiscal Years Ended June 30,	
	2017	2016
Operating revenue		
Net patient service revenue	$ 1,623,588	$ 1,457,675
Other operating revenue	22,450	23,825
Total operating revenue	1,646,038	1,481,500
Operating expenses		
Wages, contract labor, and benefits	556,330	530,636
Supplies	385,469	341,492
Purchased services and other expenses	371,410	294,124
Depreciation and amortization	77,917	71,105
Total operating expenses	1,391,126	1,237,357
Operating income	254,912	244,143
Non-operating revenues and expenses		
Interest expense	(35,420)	(28,990)
Investment income	211,681	30,764
Unrealized gain (loss) on derivative instruments	14,413	(12,040)
Gain (loss) on disposal of capital assets	1,281	(53)
Other, net	(15,717)	(16,820)
Total non-operating revenue and expenses	176,238	(27,139)
Income before contributions	431,150	217,004
Contributions restricted for capital assets	10	-
Contributions restricted, other	1,537	4,456
Change in net position	432,697	221,460
Total net position, beginning of year	1,760,160	1,538,700
Total net position, end of year	$ 2,192,857	$ 1,760,160

Net Patient Service Revenue

Net patient service revenue increased by $165,913 or 11.4% in 2017 compared to 2016. The detail of net patient service revenue can be found in Note 3 of the basic financial statements.

UCHA provides care to patients who meet certain criteria under its charity care policies 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 $24,670 and $19,928 in 2017 and 2016, respectively.

UCHA maintains a self-pay discount program in which self-pay patients automatically receive a 50% discount on total charges. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. The discounts for 2017 and 2016 were $93,170 and $77,008, 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, UCHA was charged $55,172 in hospital provider fees compared to $43,665 in 2016 and received $77,782 in 2017 in disproportionate share revenue as compensation for indigent and uninsured care services provided compared to $59,376 in 2016.

UCHA benefits the community by providing programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHA's communities for these programs was $104,621 in 2017, which is an increase of $14,410 over the 2016 benefit of $90,481, 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 increased by $153,769 or 12.4% in 2017 from 2016, driven by continued growth and patient demand coupled with expanded patient capacity from recent expansion projects.

Wages, contract labor, and benefits expense of $556,330 was a $25,694 or 4.8% increase from 2016. This increase includes a 7.5% increase in salaries, a 35.8% decrease in contract labor, and a 9.5% increase in benefits. These increases were driven by the additional employees needed with continued growth in operations during the past fiscal year. Contract labor increased as a result of the continued growth of operations and fulfilling staffing needs in the new tower and surgical areas over the past fiscal year.

Medical and non-medical supplies expense of $385,469 increased $43,977 or 12.9% in 2017. This increase is driven by growth in operations through the expansion and increased sales of high-cost specialty drugs.

Purchased services and other expenses of $371,410 increased over 2016 by $77,286 or 26.3%. The increase in purchased services in 2017 is partially due to the movement of medical provider costs from contract labor to purchased services and the implementation of the UCHA provider fee under the CICP Safety Net Provider Program with the Act. The provider fee was $55,172 in fiscal year 2017 compared to $43,665 in 2016. The remaining increase is attributable to an increase in services purchased from the University of Colorado Denver ("UCD"), University of Colorado Medicine, Inc. ("CU Medicine"), and other contractual services.

Interest Expense

In accordance with GASB Statement No. 34, UCHA records interest expense as a non-operating expense. Interest expense in 2017 was $35,420 compared to $28,990 in 2016. In addition to the interest expense for the Health System bonds, UCHA recorded interest income from affiliates of $18,283 and $12,355 in 2017 and 2016, respectively, to offset interest expense from Health System debt.

Investment Income

Equity and Fixed Income Investments

Non-operating gain from UCHA's equity, fixed income, and cash investments was $211,681 in 2017 and $30,764 in 2016. Interest and dividend income from investments was $28,012 for the year and realized/unrealized gain was $169,260. The increase in investment income was due to improved market conditions that existed during the year. Investment expense was $3,874 for the year.

UCHA utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. Interest rate swaps necessarily involve counterparty credit risk, and UCHA 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 6 to the basic financial statements.

Management presents portfolio performance reports to the Finance Committee of the Health System Board of Directors on a quarterly basis. Management meets regularly with UCHA's investment advisor to review portfolio and investment manager performance and to identify and recommend changes to UCHA's investment strategy.

Investment expenses consist of fees paid to UCHA's investment managers and advisor. Investment expenses increased $1,278 or 49% from the prior year as a result of increased investment portfolio balances.

Other Non-Operating Expenses

Non-operating expenses of $15,717 in 2017 include $14,351 for allocated expenses from UCHealth for donations in the current year to UCD to enhance the school's academic mission of educating students in health-related disciplines and professions furthering basic and applied biomedical research.

Non-operating expenses of $16,820 in 2016 include $16,282 for allocated expenses from UCHealth for donations in the current year to UCD to enhance the school's academic mission of educating students in health-related disciplines and professions furthering basic and applied biomedical research.

($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 Hospital Authority

	2017	2016
Land	$ 48	$ 48
Buildings and Improvements	725,383	742,187
Equipment	112,658	120,375
Construction in progress	26,863	24,213
Total	$ 864,952	$ 886,823

Capital Assets, Net of Depreciation and Impairment

UCHA had $864,952 invested in property, plant, and equipment, net of accumulated depreciation and impairment, at June 30, 2017 compared to $886,823 in 2016. Net capital assets have decreased 2% from the prior year.

This year's additions to capital assets in excess of $5,000 included:

AOP Renovation and Expansion	$ 5,355
AIP ORs and SPD Renovation	$ 5,862

Ongoing capital requirements are funded from a combination of operating cash and contributions. UCHA's annual capital budget, exclusive of the larger strategic projects, was $22,360 in 2017 and $21,850 in 2016. The 2017 and 2016 capital budget is exclusive of the UCHealth capital allocation. Cash flows related to capital expenditures totaled $46,600 in 2017, compared to $57,478 in 2016. Total depreciation expense on capital assets during 2017 was $77,917, compared to $71,105 for 2016.

($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 Hospital Authority
Outstanding Long-Term Debt, Less Current Portion, at Year-End

	2017	2016
Capital leases	$ 253	$ 906
2009A Revenue Bonds	39,610	42,135
2011B Revenue Bonds	98,515	99,500
2011C Revenue Bonds	44,705	50,915
2012A Revenue Bonds	261,617	269,871
2012B Revenue Bonds	50,000	50,000
2012C Revenue Bonds	87,510	87,510
2013A Revenue Bonds	88,720	90,695
2013B Revenue Bonds	10,140	11,135
2013C Revenue Bonds	63,825	65,305
2015A Revenue Bonds	-	151,330
2015B Revenue Bonds	-	57,405
2015C Revenue Bonds	-	56,850
2015D Revenue Bonds	199,100	199,100
2017A Revenue Bonds	152,075	-
2017B1 Revenue Bonds	57,685	-
2017B2 Revenue Bonds	57,125	-
2017C1C2 Revenue Bonds	299,081	-
Less current portion	(23,553)	(22,205)
Less long-term debt subject to short-term remarketing arrangements	(108,710)	(265,585)
	$ 1,377,698	$ 944,867

As of June 30, 2017, UCHA had $1,377,698 in long-term debt, net of current portion, compared to $944,867 at June 30, 2016. In fiscal year 2017, UCHA issued Series 2017A, 2017B-1, 2017B-2, 2017C-1, and 2017C-2 Revenue Bonds. Series 2017A, 2017B-1, and 2017B-2 were issued to refinance Series 2015A, 2015B, and 2015C. Series 2017C-1 and 2017C-2 was a new money issuance to finance capital expenditures for UCHealth. The Series 2017B-1 and 2017B-2 were issued as variable rate demand bonds that, 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. In fiscal year 2016, UCHA issued Series 2015D to fully refund the UCHA Series 2011A Revenue Bonds.

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

Demand for inpatient beds at the Anschutz Medical Campus is expected to continue in fiscal year 2018. The projected annual population growth rate over the next 10 years for Denver County is 2.5%, while growth in the counties surrounding UCHA is projected to be 2.0% for Adams County and 1.9% for Arapahoe County. The challenge and opportunity for UCHA will be to most effectively manage the utilization of available beds to the best advantage of UCHA, University of Colorado School of Medicine, and the community in the coming year.

UCHA 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 UCHA in managing receivables. UCHA expects to remain in-network with all major payors in the Denver area in 2017.

The 2017-2018 budget, as approved by UCHA's Board of Directors, projects operating revenue at $1,735,746 and an operating margin of 11.1%. EBITDA is budgeted at $303,463, with an EBITDA margin of 18.0% and an increase in net position of $260,562.

Requests for Information

This financial report is designed to provide a general overview of UCHA's financial results for all those with an interest in UCHA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed 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 Hospital Authority
Aurora, Colorado

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund information of the University of Colorado Hospital Authority ("UCHA") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise UCHA'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinion.

The Board of Directors
University of Colorado Hospital Authority

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 the fiduciary fund information of the University of Colorado Hospital Authority, 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 61-63 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our reported dated September 26, 2017, on our consideration of UCHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCHA's internal control over financial reporting and compliance.

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September 26, 2017
Denver, Colorado

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 176,833	$ 43,728
Patient accounts receivable, less allowances for uncollectible accounts of $133,596 and $133,431, respectively	202,106	164,014
Receivables from related parties	152,018	91,562
Receivables from affiliates for debt	8,570	7,365
Other receivables	3,499	5,377
Inventories	32,855	30,097
Prepaid expenses	17,976	17,005
Investments designated for liquidity support	108,710	265,585
Total current assets	702,567	624,733
Non-current assets		
Restricted investments, bonds	11,464	4,488
Restricted investments, other	44	190
Restricted investments and pledges, donors	35,442	32,673
Capital assets, net of accumulated depreciation	864,952	886,823
Long-term investments	1,683,211	1,307,769
Other investments	7,217	7,457
Receivable from affiliates for debt	770,503	518,850
Other assets	1,929	1,884
Total non-current assets	3,374,762	2,760,134
Total assets	4,077,329	3,384,867
Deferred Outflows of Resources		
Deferred amortization on refundings	6,241	6,670
Deferred amortization related to pension plan	16,355	30,207
Total deferred outflows of resources	22,596	36,877
Total assets and deferred outflows of resources	$ 4,099,925	$ 3,421,744

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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

	2017	2016
Liabilities		
Current liabilities		
Current portion of long-term debt	$ 23,553	$ 22,205
Accounts payable and accrued expenses	108,424	98,885
Accounts payable - construction	3,546	1,410
Accrued compensated absences	24,644	23,021
Accrued interest payable	6,421	3,247
Payables to affiliates	6,421	4,625
Fair value of derivative instruments	3,368	4,256
Estimated third-party settlements, net	120,740	143,093
Long-term debt subject to short-term remarketing arrangements	108,710	265,585
Total current liabilities	405,827	566,327
Long-term liabilities		
Long-term debt, less current portion	1,377,698	944,867
Fair value of derivative instruments, less current portion	23,383	38,530
Net pension liability	92,909	105,858
Other long-term liabilities	2,532	2,551
Total liabilities	1,902,349	1,658,133
Deferred Inflows of Resources		
Deferred amortization related to pension plan	4,719	3,451
Total deferred inflows of resources	4,719	3,451
Total liabilities and deferred inflows of resources	1,907,068	1,661,584
Net Position		
Invested in capital assets, net of related debt	130,563	179,161
Restricted expendable		
Held by trustee for debt service	11,464	4,488
Restricted by donors	10,443	11,931
Restricted non-expendable		
Permanent endowments	21,534	20,867
Unrestricted	2,018,853	1,543,713
Total net position	2,192,857	1,760,160
Total liabilities, deferred inflows of resources, and net position	$ 4,099,925	$ 3,421,744

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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 $68,710 and $55,594, respectively	$ 1,623,588	$ 1,457,675
Other operating revenue	22,450	23,825
Total operating revenue	1,646,038	1,481,500
Operating expenses		
Wages, contract labor, and benefits	556,330	530,636
Supplies	385,469	341,492
Purchased services and other expenses	371,410	294,124
Depreciation and amortization	77,917	71,105
Total operating expenses	1,391,126	1,237,357
Operating income	254,912	244,143
Non-operating revenue and expenses		
Interest expense	(35,420)	(28,990)
Investment income	211,681	30,764
Unrealized loss on derivative instruments	14,413	(12,040)
Loss on disposal of capital assets	1,281	(53)
Other, net	(15,717)	(16,820)
Total non-operating revenue and expenses	176,238	(27,139)
Income before contributions	431,150	217,004
Contributions restricted for capital assets and transfers	10	-
Contributions restricted, other	1,537	4,456
Change in net position	432,697	221,460
Total net position, beginning of year	1,760,160	1,538,700
Total net position, end of year	$ 2,192,857	$ 1,760,160

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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	$ 1,552,765	$ 1,487,139
Cash payments to suppliers for goods and services	(763,007)	(672,311)
Cash payments to employees/UCDHSC/other on behalf of employees	(526,049)	(491,674)
Cash received from or on behalf of affiliates	(77,120)	(87,238)
Other receipts	13,238	8,980
Net cash provided by operating activities	199,827	244,896
Cash flows from capital and related financing activities		
Proceeds from long-term debt	302,678	-
Notes receivable executed with affiliates	(252,858)	-
Proceeds from intercompany bonds	-	7,879
Principal repayments under capital lease obligations	(653)	(671)
Principal repayments of long-term debt	(21,550)	(20,415)
Payments of interest on long-term debt	(35,106)	(30,593)
Capital expenditures	(46,600)	(57,478)
Receipt of contributions	1,547	13,698
Proceeds from sale of capital assets	2,008	8
Net cash used in capital and related financing activities	(50,534)	(87,572)
Cash flows from investing activities		
Investment income	47,613	69,846
Distributions from joint ventures	297	297
Proceeds from sale and maturities of investments	1,043,450	1,221,560
Purchases of investments	(1,107,548)	(1,528,908)
Net cash used in investing activities	(16,188)	(237,205)
Net decrease in cash and cash equivalents	133,105	(79,881)
Cash and cash equivalents, beginning of year	43,728	123,609
Cash and cash equivalents, end of year	$ 176,833	$ 43,728
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 254,912	$ 244,143
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	77,917	71,105
Provision for bad debts	68,710	55,594
Donations to the School of Medicine	(15,717)	(16,820)
Increase in patient accounts receivable	(106,802)	(52,686)
Decrease in other receivables and receivables from related parties and affiliates	(70,512)	(84,919)
Increase in inventories	(2,758)	(4,904)
Increase in prepaid expenses and other assets	(1,074)	(2,142)
Increase (decrease) in accounts payable and accrued expenses	13,729	(789)
Increase in payable to UCHealth	-	118
(Decrease) increase in estimated third-party settlements	(22,353)	30,581
Increase in net pension liability and pension-related deferred inflows and outflows of resources	2,171	4,050
Increase in accrued compensated absences and other long-term liabilities	1,604	1,565
Total adjustments	(55,085)	753
Net cash provided by operating activities	$ 199,827	$ 244,896

(Continued on the following page)

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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	$ 10,378	$ 4,026
Construction in progress accrued	$ 3,546	$ 1,410
Unrealized loss	$ 157,238	$ (49,784)
Refunding of debt	$ 265,585	$ 200,180

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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

	2017	2016
Assets		
Investments	$ 710,102	$ 578,346
Net Assets		
Held in trust 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		
Increase (decrease) in fair value of investments	63,898	(16,941)
Interest	1,233	970
Dividends and other	13,479	15,495
Investment income (loss)	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

The 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 (the "Foundation"), 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's mission is to advance healthcare for its patients and their families through healing, discovery, and education.

Effective July 1, 2012, UCHA entered into a joint operating agreement with Poudre Valley Health Care Inc. ("PVHS") and University of Colorado Health ("UCHealth" or the "Health System"), a newly formed non-profit corporation (collectively, the "members"), resulting in a joint venture among the organizations. The joint venture will enhance the capacity of the members to protect, sustain, and expand their respective missions. As a joint venture, all future operations of UCHA will be combined with PVHS, 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. UCHA and PVHS are reported as component units of UCHealth in UCHealth's separately issued basic financial statements.

Subsequent to the formation of the joint venture, UCHealth formed UCH-MHS, a non-profit corporation, for the purpose of acquiring the assets of Memorial Health System. Collectively, PVHS, UCH-MHS, and the Health System are referred to as the "affiliates" of UCHA.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Foundation is considered a blended component unit of UCHA. The 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 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 Foundation can only be used by or for the benefit of UCHA and because the Foundation exists for the sole benefit of UCHA, the Foundation is considered a blended component unit of UCHA. All inter-entity transactions have been eliminated in the basic financial statements.

The accompanying basic financial statements reflect the operations and financial position of UCHA, its component unit, and its fiduciary (pension trust) fund. UCHA 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. Members of UCHA's Board of Directors (the "Board") are appointed by the Regents.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

The accounts of UCHA 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 comprise 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 UCHA'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 UCHA for the non-contributory defined benefit pension plan (the "Basic Pension Plan"). In accordance with 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 and liabilities, deferred outflows of resources 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

UCHA'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.

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

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

(2) Summary of Significant Accounting Policies (continued)

(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.

UCHA 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.

UCHA'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. UCHA 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. Depreciation expense includes depreciation on assets held and used solely by UCHA in addition to allocated depreciation expense on assets held by the Health System.

UCHA'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*.

(2) Summary of Significant Accounting Policies (continued)

(h) Compensated Absences

UCHA employees use paid time off ("PTO") for vacation, holidays, personal short-term illness, family member illness, and personal absences. Extended illness pay ("EIP") is used to continue salary during extended absences due to employee medical disability or serious health conditions. UCHA employees generally earned PTO and EIP based on length of service and actual hours worked. Effective June 30, 2013, the EIP program ended with vested hours continuing for active employees. Upon retirement, the liability for each employee's remaining accrued EIP is settled in full at 25% of the remaining balance. Employees who terminate employment prior to retirement forfeit their unused EIP balances. UCHA records PTO expense as it is earned. Accrued EIP is based on amounts estimated to become payable to retirees from UCHA. The current portion of PTO and EIP 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.

(i) 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.

(j) 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 5, 6, and 10 to the basic financial statements.

UCHA 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 with UCHA's interest rate swaps, are reported within non-operating revenue and expenses in the period when the change in fair value occurs.

(k) Endowments

UCHA'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, UCHA 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 UCHA. UCHA 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 Foundation when determining the amounts to authorize and spend in an individual year. The amount of net appreciation on endowments that is available for expenditure at June 30, 2017 and 2016 was $2,301 and $1,760, respectively.

(2) Summary of Significant Accounting Policies (continued)

(l) Revenue and Expenses

UCHA'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.

(m) 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. UCHA 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.

(n) Risk Management

UCHA 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. 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.

(o) Income Taxes

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. UCHA also 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 has recognized a tax liability of $2,325 and $2,452 at June 30, 2017 and 2016, respectively, for unrelated business income taxes.

(p) Pension Plans

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)

(2) Summary of Significant Accounting Policies (continued)

(q) Reclassifications

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

(3) 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 years ended June 30:

	2017	2016
Gross charges	$ 6,610,544	$ 5,811,796
Third-party contractual allowances	(4,832,057)	(4,221,840)
Indigent and charity care	(62,403)	(50,555)
Provision for bad debt	(68,710)	(55,594)
Self-pay packages and other discounts	(93,170)	(77,008)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	69,384	50,876
Net patient service revenue	$ 1,623,588	$ 1,457,675

UCHA 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 in 2017 and 2016 was $516,904 and $479,871, 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. UCHA is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by UCHA and audits thereof by the Medicare administrative contractor. UCHA'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 UCHA. UCHA's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2014.

(3) 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 UCHA and audits thereof by the Medicaid fiscal intermediary. UCHA'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 UCHA. UCHA's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013.

(c) Other Payors

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

(d) Self-Pay

UCHA maintains a self-pay discount program in which self-pay patients automatically receive a 50% discount on total charges. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. Discounts for this program were $93,170 and $77,008 in 2017 and 2016, respectively.

(e) Disproportionate Share Hospital 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, UCHA was charged $55,172 and $43,665 in hospital provider fees and received $77,782 and $59,376 in disproportionate share and Medicaid supplemental payments as compensation for indigent and underinsured care services provided, respectively.

Based on an analysis of the direct and indirect costs of the procedures performed, the cost of charity care services provided was $24,670 and $19,928 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, UCHA provided $104,621 and $90,481 in total benefits to the community for uninsured and underinsured patients in 2017 and 2016, respectively.

(4) Restricted and Unrestricted Pledges

UCHA records pledges as restricted or unrestricted receivables based on the donors' specifications and UCHA's satisfaction of the donors' restrictions. Long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge.

($s in thousands)

(4) Restricted and Unrestricted Pledges (continued)

The balance of contributions receivable at June 30, 2017 was $0 (unrestricted) and $307 (restricted). The balance of contributions receivable at June 30, 2016 was $50 (unrestricted) and $643 (restricted).

The total current portion of unrestricted contributions receivable of $0 and $50 as of June 30, 2017 and 2016, respectively, is classified as other receivables. The total current portion of restricted contributions receivable is $287 and $623 as of June 30, 2017 and 2016, respectively. The total long-term portion of restricted contributions receivable is $20 as of June 30, 2017 and 2016.

(5) 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, UCHA's unrestricted cash deposits had a book balance of $176,833 and $43,728, respectively, and a bank balance of $196,078 and $57,972, respectively. UCHA's receivables and investments restricted by donors included cash deposits that had a book and bank balance of $29,992 and $28,643 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 covered by federal depository insurance up to the applicable maximum, as applicable.

The members effectively pool their cash and investments within UCHealth's investment account structure to ease the cash and investment functions within the Health System. The balances below as of June 30, 2017 and 2016 reflect UCHA's share of the cash and investments held at the Health System level.

	June 30, 2017		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	$ 176,833	$ -	$ 176,833
Assets limited as to use	-	46,950	46,950
Investments designated for liquidity support	-	108,710	108,710
Long-term investments	-	1,683,211	1,683,211
	$ 176,833	$ 1,838,871	$ 2,015,704

($s in thousands)

(5) Deposits and Investments (continued)

	June 30, 2016		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	$ 43,728	$ -	$ 43,728
Assets limited as to use	-	37,330	37,330
Investments designated for liquidity support	-	265,585	265,585
Long-term investments	-	1,307,769	1,307,769
	$ 43,728	$ 1,610,684	$ 1,654,412

Enterprise fund investments consist of the following:

	June 30,	
	2017	2016
Restricted by trustee under bond agreement	$ 11,464	$ 4,488
Restricted investments, other	44	190
Restricted by donor	35,442	32,652
Designated for liquidity support	108,710	265,585
Long-term investments	1,683,211	1,307,769
Total investments	$ 1,838,871	$ 1,610,684

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

	June 30,	
	2017	2016
Cash equivalents	$ 22,304	$ 25,883
U.S. Treasury bills	111,352	117,030
U.S. government agency, pool, and mortgage-backed securities	53,053	33,163
Asset-backed securities	28,301	38,870
Mutual bond funds	274,116	319,568
Treasury inflation protected securities ("TIPS")	86,709	89,387
Corporate bonds	101,573	86,833
Equity securities	1,160,888	901,681
Interest and dividends receivable	1,870	1,380
Miscellaneous investment payable	(1,295)	(3,111)
Total investments	$ 1,838,871	$ 1,610,684

($s in thousands)

(5) 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

UCHA'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."

UCHA's enterprise and pension trust fund investments in U.S. agency, pool, and mortgage-backed securities are limited to investments rated AAA or AA. UCHA'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, UCHA'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)

(5) 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	$ 53,053	AA+	$ 33,163	AA+
Asset-backed securities	$ 28,301	AA+	$ 38,870	AA+
Mutual bond funds	$ 274,116	BBB-	$ 319,568	BBB
TIPS	$ 86,709	AA+	$ 89,387	AA+
Corporate bonds				
Financials	$ 33,439	A-	$ 26,430	BBB+
Industrials	35,876	A	26,277	A-
Municipal taxable	1,111	AA-	718	AA
Other corporate bonds	1,344	AAA	826	AA
Other global corporate bonds	20,561	A	23,088	A
Private placements	9,242	A-	9,494	BBB+
Total corporate bonds	$ 101,573		$ 86,833	

($s in thousands)

(5) 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)

(5) Deposits and Investments (continued)

(b) Interest Rate Risk

UCHA'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	$ 111,352	5.55	$ 117,030	4.80
U.S. government agency, pool, and mortgage-backed securities	$ 53,053	3.95	$ 33,163	3.69
Asset-backed securities	$ 28,301	4.42	$ 38,870	4.42
Mutual bond funds	$ 274,116	4.32	$ 319,568	4.33
TIPS	$ 86,709	7.58	$ 89,387	7.88
Corporate bonds				
Financials	$ 33,439	1.43	$ 26,430	2.11
Industrials	35,876	1.94	26,277	3.19
Municipal taxable	1,111	9.85	718	10.97
Other corporate bonds	1,344	1.99	826	2.10
Other global corporate bonds	20,561	2.18	23,088	2.21
Private placements	9,242	2.13	9,494	3.23
Total corporate bonds	$ 101,573		$ 86,833	

($s in thousands)

(5) 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)

(5) Deposits and Investments (continued)

(c) Foreign Currency Risk

UCHA'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 UCHA's investments exposed to foreign currency risk are held in international mutual funds. UCHA'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	$ 5,461	$ 5,276	$ 4,027	$ 3,627
Brazilian Real	4,015	2,542	2,676	1,860
Canadian Dollar	8,759	7,740	6,208	5,545
Chilean Peso	248	201	169	123
Colombian Peso	934	256	253	97
Czech Koruna	539	444	410	337
Danish Krone	1,879	2,168	2,055	2,977
Egyptian Pound	28	27	19	16
Euro	70,336	48,373	34,818	23,455
Hong Kong Dollar	20,036	15,667	14,156	10,158
Hungarian Forint	670	494	511	372
Indian Rupee	6,783	5,388	7,148	5,324
Indonesian Rupiah	1,505	1,301	1,158	966
Israel New Shekel	380	469	260	304
Japanese Yen	40,477	25,102	27,957	17,003
Kenyan Schilling	232	106	187	84
Malyasian Ringgit	523	486	356	296
Mexican Peso	1,669	2,079	1,045	1,356
New Zealand Dollar	110	293	75	200
Norwegian Krone	1,971	1,863	427	504
Pakistani Rupee	28	-	19	-
Phillipines Peso	427	484	434	460
Polish Zloty	710	613	527	443
Qatari Riyal	147	147	100	89
Russian Ruble	1,462	499	559	304
Singapore Dollars	2,976	2,625	615	544
South African Rand	3,711	3,786	2,655	2,633
South Korean Won	14,000	10,570	8,428	5,764
Swedish Krona	5,430	3,807	3,425	2,316
Swiss Franc	11,517	12,537	5,969	7,279
Taiwan New Dollar	8,544	5,961	5,987	4,215
Thailand Baht	1,980	1,784	1,214	890
Turkish Lira	2,168	915	1,522	626
United Arab Emirates Dirham	474	172	363	110
United Kingdom Pound Sterling	28,497	24,902	17,366	13,139
	$ 248,626	$ 189,077	$ 153,098	$ 113,416

(5) Deposits and Investments (continued)

(d) Concentration of Credit Risk

UCHA'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. UCHA 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, UCHA'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.

(6) Investments with Fair Values that are Highly Sensitive to Interest Rate Changes

UCHA uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swaps necessarily involve counterparty credit risk. UCHA 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 UCHA's variable rate bonds and short-term fixed income holdings. 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. UCHA'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, UCHA was party to three 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.

(6) Investments with Fair Values that are Highly Sensitive to Interest Rate Changes (continued)

- 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 semiannually 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 $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 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.

(7) Fair Value Measurement

(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, UCHA 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 UCHA's own assumptions.

($s in thousands)

(7) Fair Value Measurement (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2017 and 2016, the enterprise fund held the following financial instruments, 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	$ 111,352	$ 111,352	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	53,053	-	53,053	-
Asset-backed securities	28,301	-	24,805	3,496
Mutual bond funds	274,116	192,252	81,864	-
TIPS	86,709	-	86,709	-
Corporate bonds	101,573	-	101,413	160
Equity securities	1,160,888	848,076	311,878	934
Net receivables	575	575	-	-
Total investments by fair value level	$ 1,816,567	$ 1,152,255	$ 659,722	$ 4,590
Derivative instruments				
Interest rate swaps	$ (26,751)	$ -	$ (26,751)	$ -

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	$ 117,030	$ 117,030	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	33,163	-	33,163	-
Asset-backed securities	38,870	-	35,560	3,310
Mutual bond funds	319,568	164,910	78,389	76,269
TIPS	89,387	2,469	86,918	-
Corporate bonds	86,833	-	86,833	-
Equity securities	901,681	649,390	178,035	74,256
Total investments by fair value level	$ 1,586,532	$ 933,799	$ 498,898	$ 153,835
Derivative instruments				
Interest rate swaps	$ (42,786)	$ -	$ (42,786)	$ -

($s in thousands)

(7) Fair Value Measurement (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2017 and 2016, the pension trust fund held the following financial instruments, 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	-
Equity Securities	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)

(7) Fair Value Measurement (continued)

(a) Fair Value Hierarchy (continued)

U.S. Treasury bills, 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, 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, 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 5.

	June 30, 2017	June 30, 2016
Enterprise fund investments		
Total investments by fair value level	$ 1,815,992	$ 1,586,532
Cash equivalents	22,304	25,883
Interest and dividends receivable	1,871	1,380
Miscellaneous investment payable	(1,296)	(3,111)
Total enterprise fund investments	$ 1,838,871	$ 1,610,684
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

($s in thousands)

(8) Capital Assets

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

	June 30, 2015	Additions	Transfers	Disposals	June 30, 2016	Additions	Transfers	Disposals	June 30, 2017
Capital assets, not being depreciated									
Land	$ 48	$ -	$ -	$ -	$ 48	$ -	$ -	$ -	$ 48
Construction in progress	81,960	23,686	(81,349)	(84)	24,213	35,377	(32,727)	-	26,863
Total capital assets, not being depreciated	82,008	23,686	(81,349)	(84)	24,261	35,377	(32,727)	-	26,911
Capital assets, being depreciated									
Buildings and improvements	932,547	6,566	44,263	(3,007)	980,369	3,412	10,353	(1,498)	992,636
Fixed and moveable equipment	298,743	19,929	37,086	(12,164)	343,594	9,948	22,374	(29,799)	346,117
Total capital assets, being depreciated	1,231,290	26,495	81,349	(15,171)	1,323,963	13,360	32,727	(31,297)	1,338,753
Accumulated depreciation and impairment									
Buildings and improvements	211,298	29,886	-	(3,002)	238,182	30,569	-	(1,497)	267,254
Fixed and moveable equipment	197,527	37,901	-	(12,209)	223,219	39,919	-	(29,680)	233,458
Total accumulated depreciation and impairment	408,825	67,787	-	(15,211)	461,401	70,488	-	(31,177)	500,712
Total capital assets, net	$ 904,473	$ (17,606)	$ -	$ (44)	$ 886,823	$ (21,751)	$ -	$ (120)	$ 864,952

(9) Contractual Arrangements and Concentrations of Credit Risk

UCHA 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	24%	25%
Medicaid, including Colorado Access	26%	19%
Managed care	34%	37%
Commercial	2%	2%
Self-pay and medically indigent	6%	7%
Other	8%	10%

Management does not believe there are significant credit risks associated with the above payors, other than the self-pay and medically indigent category. 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)

(10) Long-Term Debt and Leases

Long-term debt consists of the following:

	June 30, 2017	June 30, 2016
Capital leases, long-term, due in installments through 2018	$ 253	$ 906
Revenue Bonds, Series 2017A, due in installments through fiscal year 2047	152,075	-
Revenue Bonds, Series 2017B1, due in installments through fiscal year 2040	57,685	-
Revenue Bonds, Series 2017B2, due in installments through fiscal year 2025	57,125	-
Revenue Bonds, Series 2017C1C2, due in installments through fiscal year 2048 (inclusive of unamortized premium of $22,991 at June 30, 2017)	299,081	-
Revenue Bonds, Series 2015A, refunded in 2017	-	151,330
Revenue Bonds, Series 2015B, refunded in 2017	-	57,405
Revenue Bonds, Series 2015C, refunded in 2017	-	56,850
Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	199,100	199,100
Revenue Bonds, Series 2013A, due in installments through fiscal year 2034	88,720	90,695
Revenue Bonds, Series 2013B, due in installments through fiscal year 2025	10,140	11,135
Revenue Bonds, Series 2013C, due in installments through fiscal year 2032	63,825	65,305
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)	261,617	269,871
Revenue Bonds, Series 2012B, due in installments through fiscal year 2047	50,000	50,000
Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
Revenue Bonds, Series 2011B, due in installments through fiscal year 2030	98,515	99,500
Revenue Bonds, Series 2011C, due in installments through fiscal year 2023	44,705	50,915
Revenue Bonds, Series 2009A, due in increasing annual installments through fiscal year 2030 net of unamortized bond discount of $110 at June 30, 2017 and $125 at June 30, 2016	39,610	42,135
Total long-term debt	1,509,961	1,232,657
Less long-term debt subject to short-term remarketing arrangements	(108,710)	(265,585)
Less current portion	(23,553)	(22,205)
	$ 1,377,698	$ 944,867

($s in thousands)

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

Changes in long-term debt for the years ended June 30, 2017 and 2016 are as follows:

2017	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Capital lease	04/01/06	$ 906	$ -	$ -	$ (653)	$ 253	$ 253
Series 2009A	08/06/09	42,135	-	15	(2,540)	39,610	1,920
Series 2011B	11/09/11	99,500	-	-	(985)	98,515	1,085
Series 2011C	11/16/11	50,915	-	-	(6,210)	44,705	6,535
Series 2012A	10/01/12	269,871	-	(889)	(7,365)	261,617	2,470
Series 2012B	10/01/12	50,000	-	-	-	50,000	-
Series 2012C	10/01/12	87,510	-	-	-	87,510	-
Series 2013A	11/18/13	90,695	-	-	(1,975)	88,720	2,090
Series 2013B	11/18/13	11,135	-	-	(995)	10,140	1,060
Series 2013C	11/18/13	65,305	-	-	(1,480)	63,825	1,580
Series 2015A	02/03/15	151,330	(151,330)	-	-	-	-
Series 2015B	02/03/15	57,405	(57,405)	-	-	-	-
Series 2015C	02/03/15	56,850	(56,850)	-	-	-	-
Series 2015D	09/01/15	199,100	-	-	-	199,100	460
Series 2017A	02/16/17	-	152,075	-	-	152,075	-
Series 2017B-1	02/16/17	-	57,685	-	-	57,685	-
Series 2017B-2	02/16/17	-	57,125	-	-	57,125	6,100
Series 2017C1C2	02/16/17	-	301,378	(2,297)	-	299,081	-
Total		$ 1,232,657	$ 302,678	$ (3,171)	$ (22,203)	$ 1,509,961	$ 23,553

2016	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Capital lease	04/01/06	$ 1,577	$ -	$ -	$ (671)	$ 906	$ 655
Series 2009A	08/06/09	43,119	-	16	(1,000)	42,135	2,540
Series 2011A	05/01/11	200,180	(200,180)	-	-	-	-
Series 2011B	11/09/11	100,485	-	-	(985)	99,500	985
Series 2011C	11/16/11	56,820	-	-	(5,905)	50,915	6,210
Series 2012A	10/01/12	277,750	-	(914)	(6,965)	269,871	7,365
Series 2012B	10/01/12	50,000	-	-	-	50,000	-
Series 2012C	10/01/12	87,510	-	-	-	87,510	-
Series 2013A	11/18/13	92,695	-	-	(2,000)	90,695	1,975
Series 2013B	11/18/13	12,140	-	-	(1,005)	11,135	995
Series 2013C	11/18/13	66,780	-	-	(1,475)	65,305	1,480
Series 2015A	02/03/15	151,330	-	-	-	151,330	-
Series 2015B	02/03/15	57,405	-	-	-	57,405	-
Series 2015C	02/03/15	56,850	-	-	-	56,850	-
Series 2015D	09/01/15	-	200,180	-	(1,080)	199,100	-
Total		$ 1,254,641	$ -	$ (898)	$ (21,086)	$ 1,232,657	$ 22,205

($s in thousands)

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

Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 23,553	$ 46,522	$ 70,075
2019	24,045	45,842	69,887
2020	24,785	44,505	69,290
2021	26,220	41,124	67,344
2022	27,740	37,967	65,707
2023-2027	204,510	156,389	360,899
2028-2032	174,560	128,626	303,186
2033-2037	207,245	102,152	309,397
2038-2042	276,155	72,188	348,343
2043-2047	398,285	26,194	424,479
2048	83,205	1,664	84,869
Total long-term debt payments	1,470,303	$ 703,173	$ 2,173,476
Unamortized net premium and discount	39,658		
Total carrying amount of long-term debt	$ 1,509,961		

Monthly lease payments are required for the capital lease agreement, which includes principal and interest. During fiscal year 2017, UCHA did not enter into new capital equipment agreements and paid down $653 in principal on its medical equipment lease. The medical equipment lease matures in 2018 and is secured by the capital assets under the capital lease agreement.

At June 30, 2017, total capital assets and related accumulated depreciation under capital lease arrangements were $2,695 and $2,512, respectively. Depreciation expense under capital lease arrangements is included within depreciation and amortization in the accompanying balance sheets.

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. Within the accompanying balance sheets, receivables from affiliates includes a balance for a portion of amounts associated with Series 2017A.

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

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. Within the accompanying balance sheets, receivables from affiliates includes a balance for a portion of amounts associated with Series 2017B.

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 principal is paid according to a mandatory sinking fund redemption schedule. Within the accompanying balance sheets, receivables from affiliates includes a balance for a portion of amounts associated with Series 2017C.

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 connection 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.

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 connection 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 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.

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

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 connection 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 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 in 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 in 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 in 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 of Colorado Springs 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%. Within the accompanying balance sheets, receivable from affiliates includes a balance for a portion of amounts associated with Series 2012A.

In October 2012, UCHA issued Series 2012B Revenue Bonds ("Series 2012B") in the amount of $50,000 to fully refund the 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.

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

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 schedule. 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. Within the accompanying balance sheets, receivable from affiliates includes a balance for all amounts associated with Series 2012C.

In November 2011, UCHA issued Series 2011B Revenue Bonds ("Series 2011B") in the amount of $103,940 to fully refund the 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 10-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 11-year term that 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 in 2016 was 0.03. 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 the Series 2006B Revenue Bonds. Series 2009A are a fixed 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%.

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

Cash paid for interest in 2017 and 2016 was $35,106 and $30,593, respectively. Interest received on the unexpended bond funds in 2017 and 2016 was $105 and $967, respectively. Interest received on unexpended bond funds in 2017 and 2016 was offset against capitalized interest expense.

The fair value of UCHA'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 $1,526,688 and $1,258,709, respectively.

($s in thousands)

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

UCHA 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:

Year Ending June 30,		
2018	$	5,571
2019		3,778
2020		3,467
2021		2,690
2022		2,471
2023-2024		2,697
Total minimum obligations	$	20,674

Rental expense was $8,693 and $7,363 in 2017 and 2016, respectively.

(11) 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 $5,611, which is net of $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 $1,496 and $2,118, respectively. There were no refunds received during 2017 or 2016.

(12) Retirement Plans

UCHA offers five retirement plans: the University of Colorado Hospital Authority Retirement Plan (the "Basic Pension Plan"), 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 of the Basic Pension Plan and has the ability to amend this plan at its sole discretion.

The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. 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").

UCHA maintained a single-employer non-contributory, cash balance pension plan (the "Frozen Plan") for UCHA 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 who elect 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 Basic Pension 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.

($s in thousands)

(12) Retirement Plans (continued)

(a) Pension Plans (continued)

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, UCHA's practice is to contribute amounts at least equal to the minimum funding requirements of ERISA.

UCHA made contributions, net of reimbursements from the Health System, of $27,111 and $25,523 to the Basic Pension Plan in 2017 and 2016, respectively. UCHA's portion of the actuarially computed net periodic pension cost for the Basic Pension Plan for 2017 and 2016 was $29,283 and $29,577, respectively. Investment (losses) gains for 2017 and 2016, including interest, dividends, and realized and unrealized gains (losses), were $78,610 and $(476), respectively. Membership in the Basic Pension Plan consisted of the following at July 1, 2016 and 2017 (dates of the latest actuarial valuations):

	2017	2016
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 considerable 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. All employees that work at UCHealth facilities are employees of UCHA; however, UCHA allocates the cost related to the pension to other entities within UCHealth. The full contributions made for all UCHA employees were $74,356 and $68,000 for the years ended June 30, 2017 and 2016, respectively. UCHA's contributions, net of reimbursements from the Health System, to the Basic Pension Plan were $27,111 and $25,523 in 2017 and 2016, respectively. UCHA's average contribution rates were 7.02% and 7.23% of annual payroll for the years ended June 30, 2017 and 2016, respectively.

The Hospital'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. UCHA 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.

($s in thousands)

(12) Retirement Plans (continued)

(a) Pension Plans (continued)

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.

Mortality rates were based on the Sex-distinct RP-2014 mortality tables with base year 2006 without collar or amount adjustments, using a modified 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 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 (50^{th} 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%	

($s in thousands)

(12) Retirement Plans (continued)

(a) Pension Plans (continued)

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 or 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.

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 income	-	(476)	476
Change in assumptions	(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 assumptions	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

UCHA's portion of the net pension liability as of June 30, 2017 and 2016, totaled $92,909 and $105,858, respectively.

($s in thousands)

(12) Retirement Plans (continued)

(a) Pension Plans (continued)

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.

The following presents the net pension liability of UCHA, calculated using the discount rate of 7.0%, as well as what UCHA'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, UCHA recognized pension expense of $29,283 and $29,577, respectively. At June 30, 2017 and 2016, the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2017		
Differences between expected and actual experience	$ 3,534	$ 2,959
Changes in assumptions	12,821	-
Net difference between projected and actual earnings on pension plan investments	-	1,760
Total	$ 16,355	$ 4,719
June 30, 2016		
Differences between expected and actual experience	$ 4,175	$ 3,451
Changes in assumptions	15,684	-
Net difference between projected and actual earnings on pension plan investments	10,348	-
Total	$ 30,207	$ 3,451

($s in thousands)

(12) 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	$ 3,941
2019	6,542
2020	3,600
2021	(2,453)
2022	7
	$ 11,637

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

At June 30, 2017 and 2016, UCHA had eight state employees. 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 $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 UCHA'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 $370,675 and $345,661, respectively. Total employee contributions made under the provisions of this plan were $22,478 and $20,860 for the years ended June 30, 2017 and 2016, respectively. This represents 6.0% of the current year's payroll. In accordance with Code regulations, UCHA 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 UCHA were $255 and $257 in 2017 and 2016, respectively.

(12) 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, UCHA will match employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% in their contributions; however, UCHA's matching contributions are subject to a five-year, graduated vesting schedule. Certain part-time employees are not eligible for UCHA matching contributions. UCHA's matching contributions for 2017 and 2016 were $7,695 and $7,202, respectively. Employees may elect from two investment companies, Fidelity Investments and TIAA-CREF, who provide a broad array of mutual funds with which to invest all contributions under the Investment Account and Matching Account. Employee contributions to the Matching Account for 2017 and 2016 $17,102 and $15,714, 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. Employees are always vested 100% in their contributions, and UCHA 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 $177 and $188, respectively. Employee contributions to the Fidelity 457b Plan in 2017 and 2016 $1,161 and $973, respectively.

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.

(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. An employer-funded life insurance benefit is provided to all employees who retire from UCHA. The accumulated post-retirement benefit obligation for the medical and life premiums was $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.

(13) Related-Party/Affiliate Transactions

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

(13) Related-Party/Affiliate Transactions (continued)

(a) University of Colorado Health

Effective July 1, 2012, UCHealth was created through a joint operating agreement with PVHS and UCHA. Together, UCHA and PVHS are member organizations in the Health System. UCHealth 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 Health System. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission, and oversight of other day-to-day operating activities.

UCHA balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows include transactions among UCHealth's members and affiliates.

Total current assets at June 30, 2017 and 2016 include a receivable from affiliates that is comprised of amounts due from UCH-MHS for the Series 2012A proceeds related to the acquisition of MHS of $2,470 and $7,365, respectively, and amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of $6,100 and $0, respectively. At June 30, 2017 and 2016, current assets also included $147,790 and $91,558, respectively, related to transactions between UCHA and its affiliates.

Total non-current assets at June 30, 2017 and 2016 include receivables from affiliates that comprise amounts due for the Series 2012A, Series 2012C, Series 2017A, Series 2017B, and Series 2017C bond issuances related to ongoing capital expenditures, the acquisition of MHS, and the refinancing of PVHS Revenue Bonds. At June 30, 2017 and 2016, the total receivable was $770,503 and $518,850, respectively. These amounts are included in UCHA's current and long-term assets on UCHA's balance sheet.

UCHA and affiliates effectively pool their investments within the Health System's investment account structure. UCHA's share of pooled cash at June 30, 2017 and 2016 was $176,833 and $43,458, respectively. UCHA's share of pooled investments at June 30, 2017 and 2016 was $1,786,913 and $1,571,886, respectively.

(13) Related-Party/Affiliate Transactions (continued)

(b) 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 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 garages and inpatient towers. As a result of continued growth, UCHA substantially completed 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 $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 $1,843 and $2,031 were recognized in other operating revenue for these services during 2017 and 2016, respectively.

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to CRC. Charges of $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 $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. UCHA's portion of the academic support donation for the years ended June 30, 2017 and 2016 was $11,352 and $12,078, respectively.

(13) Related-Party/Affiliate Transactions (continued)

(c) 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, which involved a one-year transition period starting April 1, 2013. TriWest is reviewing its business plan with regard to this event and is building its future strategy.

UCHA originally purchased a minority interest in TriWest for $3,300. In October 2007, UCHA sold 1,656.55 shares for $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. Based on this restructuring, CU Medicine has a 35% share of UCHA's minority interest in TriWest, valued at $3,250.

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

(d) CU Medicine

During the years ended June 30, 2017 and 2016, UCHA recognized $65,798 and $39,772, respectively, in contract expense to CU Medicine for contractual reimbursement of faculty administrative services and recruitment support. UCHA also recognized expenses of $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).

UCHA recorded payables to CU Medicine of $5,292 and $1,583 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.

(e) 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.

(13) Related-Party/Affiliate Transactions (continued)

(f) 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. The VEBA Trust is managed by a third-party administrator and provides healthcare coverage for eligible employees 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, UCHA expensed initial premiums of $56,990 and $52,334, respectively, into the healthcare flexible spending plans.

(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.

(14) Commitments and Contingencies

A substantial portion of UCHA'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 UCHA 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.

UCHA has entered into contracts for the completion of expansion projects it is currently undertaking. As of June 30, 2017, UCHA has entered into contracts totaling $11,919 for its current large expansion project including the AIP2 OR expansion. The total budget for the AIP2 OR expansion is $13,500. UCHA has incurred $3,672 in related costs during the year ended June 30, 2017 on this project.

UCHA is a joint obligor for PVHS and the Health System under the joint operating agreement. In addition to the debt included on the accompanying balance sheets, UCHA is contingently liable for outstanding PVHS debt with a carrying amount of $214,224 and $214,185 at June 30, 2017 and 2016, respectively.

(15) Subsequent Events

UCHA has evaluated subsequent events through the auditors' report date. There were no material subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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 (loss) income	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%

Notes 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 2015.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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 HOSPITAL AUTHORITY

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%