UNIVERSITY OF COLORADO

2016 ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

CONTENTS **PAGE**

ABBREVIATIONS AND ACRONYMS

18th Avenue	18th Avenue, LLC
33rd Street	33rd Street, LLC
457	PERA Deferred Compensation Plan
AED	Amortization Equalization Disbursement
AHEC	Auraria Higher Education Center
AIR	Annual Increase Reserve
AMP	Alternate Medicare Plan
ARC	Annual Required Contribution
Children's Colorado	Children's Hospital Colorado Association
COF	College Opportunity Fund
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
C.R.S.	Colorado Revised Statutes
CU Anschutz	University of Colorado Anschutz Medical Campus
CU Boulder	University of Colorado Boulder
CU Denver	University of Colorado Denver
CU Foundation	University of Colorado Foundation
CU UK	University of Colorado UK Foundation Limited
CUREF	University of Colorado Real Estate Foundation
CVA	Campus Village Apartments, LLC
DPCU	Discretely Presented Component Units
ERIP	Early Retirement Incentive Program
ERISA	Employee Retirement Income Security Act
Foothills	Foothills Medical Office Building, LLC
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HCTF	Health Care Trust Fund
HDS	Housing and Dining Services
Hospital Authority	University of Colorado Hospital Authority
LHV LLC	Land Holdings Venture, LLC
NAV	Net Asset Value
OPEB	Other Postemployment Benefits
ORP	Optional Retirement Plan
PDPA	Public Deposit Protection Act
PERA	Public Employees' Retirement Association of Colorado
PHV LLC	Partnership Holdings Venture, LLC
Regents	Board of Regents
S&P	Standard and Poor's
SAED	Supplemental Amortization Equalization Disbursement
SDTF	State Division Trust Fund
SEC	Securities and Exchange Commission
SEEC	Sustainability, Energy and Environment Complex
SEIR	Single Equivalent Interest Rate
SOM	School of Medicine
State	State of Colorado
Surgery Center	Children's Hospital North Surgery Center, LLC
TABOR	Taxpayer's Bill of Rights
TriWest	TriWest Healthcare Alliance Corp.
Trust	University of Colorado Health and Welfare Trust
TWE	The Wildlife Experience
UAAL	Unfunded Actuarial Accrued Liability
UCCS	University of Colorado Colorado Springs
ULEHI	University License Equity Holding, Inc.
University	University of Colorado
UPI	University Physicians, Inc.

The University of Colorado, Board of Regents, September 2016

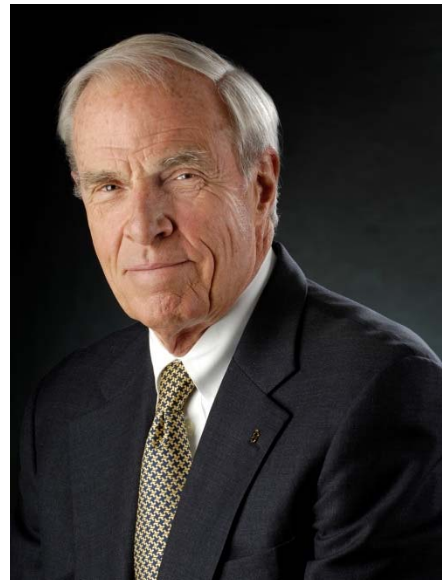
Seated left to right:

Linda Shoemaker, District 2; Kyle Hybl, District 5; Chair Irene Griego, District 7; Sue Sharkey, District 4

Standing left to right:

Vice Chair Glen Gallegos, District 3; Steve Bosley, Regent at Large; Stephen Ludwig, Regent at Large; Michael Carrigan, District 1; John Carson, District 6

FROM THE PRESIDENT



For the past 140 years, the University of Colorado (the University) has fostered far-reaching growth in community, health, progress and exploration. Its positive impact can be found in every corner of the state, and well beyond. Since its founding in 1876, the University has served Colorado, the nation and the world through leadership in education, public service, research and knowledge, and health care.

The University continued to set new records in growth in Fiscal Year 2016: Contributions totaled $384.5 million in support from individuals, foundations and corporations, a 4.5 percent increase over the year before; the University's endowment is about $1.063 billion; and the fall 2016 enrollment numbers, at 63,152, are up by some 2,000 students for the second consecutive year.

Once again, our primary funding streams have grown as we continue to increase revenue resources and improve on our efficiencies. For the year that ended June 30, 2016, the University's financial activities resulted in a current-year increase in net position of nearly $40 million.

The University also diligently seeks efficiencies throughout the system. Since I became president in 2008, we have streamlined processes and bureaucracy that have led to tens of millions of dollars in savings. (www.cu.edu/cu-efficiencies)

Despite tough budgetary times, for which there is no end in sight, the University will not waver from its mission, its core values or quality of education. The University will remain financially healthy by continuing to diversify and create more revenue streams through contributions by individuals, foundations and corporations, and by capitalizing on our investments.

Our financial health is critical to ensuring that we meet our obligation to serve our students, state and nation. Accountability is important to the University and we will continue to share our progress in reports such as this and online at www.cu.edu/accountability.

Sincerely,

Bruce D. Benson
President

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Colorado (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2016 and 2015 financial statements of University Physicians, Inc. (UPI) a blended component unit, which represents approximately 8%, 17%, and 21.5%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2016 and 7%, 15%, and 20.5%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2015. In addition, we did not audit the 2016 and 2015 financial statements of the University of Colorado Foundation (CU Foundation) and the University of Colorado Real Estate Foundation (CUREF), which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units for 2016 and 2015. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for UPI, CU Foundation, and CUREF, are based solely on the reports of the other auditors. 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. The financial statements of the CU Foundation and CUREF, discretely presented component units, and UPI, a blended component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Colorado as of June 30, 2016 and 2015, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the University. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is not modified with respect to this matter.

Also as described in Note 1 to the financial statements, the University adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application,* which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value-hierarchy, and valuation techniques. Our opinions are not modified with respect to this matter.

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 19 through 31 and the funding status of Other Post Employment Benefits and the Alternate Medicare Plan, the schedule of University's Proportionate Share of PERA Pension Liability, and the schedule of University's Contributions to PERA Pension on page 90 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 a report dated November 8, 2016 on our consideration of the University'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 8, 2016

Management is pleased to present this financial discussion and analysis of the University of Colorado (the University). It is intended to make the University's financial statements easier to understand and communicate our financial situation in an open, accountable, and transparent manner. It provides an analysis of the University's position and results of operations for the years ended June 30, 2016 and 2015 (Fiscal Year 2016 and 2015, respectively), with comparative information for the year ended June 30, 2014. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Net Position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University at a point in time (June 30, 2016 and 2015). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors, and lenders, and a picture of net position.

Statements of Revenues, Expenses, and Changes in Net Position present the total revenues and expenses of the University for operating, nonoperating, and other undertakings during the fiscal years ended June 30, 2016 and 2015. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows present cash receipts and payments of the University during the fiscal years ended June 30, 2016 and 2015. Their purpose is to present the sources of cash coming into the University, how that cash was expended, and the change in the cash balance during the year.

Notes to the Financial Statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

Required Supplementary Information (RSI) presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the funding status of other postemployment benefits and the Alternate Medicare Plan, schedules of the University's proportionate share of the Public Employee's Retirement Association (PERA) pension liability and contributions to the PERA pension, as well as this management's discussion and analysis.

Nonfinancial indicators are also available to assess the overall state of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety. Information about nonfinancial indicators is not included in this analysis but may be obtained from the University's Budget and Finance Office (see www.cu.edu/budgetpolicy).

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2016 include:

- University assets total $6,304,229,000, deferred outflows of resources (reflecting loss on bond refundings and certain changes in the PERA pension) total $198,126,000, liabilities total $3,965,530,000 and deferred inflows total $23,830,000 (related to the PERA pension) resulting in net position of $2,512,995,000. Of this amount, $1,821,752,000 is net investment in capital assets, $58,390,000 is restricted for nonexpendable purposes, meaning only the earnings on the related investments may be used for purposes dictated by the resource provider, and $484,706,000 is restricted for purposes for which the donor, grantor, or other external party intended. The remaining unrestricted balance is $148,147,000, which can be used for any University activity.

- As discussed in Note 1, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68) effective July 1, 2014 which was the first day of Fiscal Year 2015. As allowed by Statement No. 68, the University elected to adopt this standard as a cumulative effect in the Fiscal Year 2015 column. As a result, Fiscal Year 2014 balances reported in this document were not impacted. Fiscal Year 2015 reflects the impact of the adoption, including a one-time decrease to unrestricted net position of $989,588,000 and varied increases to operating expense categories (See Note 1).

- In total, operating revenues increased approximately 7.8 percent in Fiscal Year 2016 while operating expenses increased 9.1 percent. For comparative purposes, operating revenues increased 7.4 percent in Fiscal Year 2015 while operating expenses increased 8.1 percent.

STATEMENT OF NET POSITION

Figure 1 illustrates the University's summary of assets, deferred outflows, liabilities, deferred inflows and net position. The mix of assets, liabilities, and net position has remained consistent. Deferred outflows and inflows of resources and the net pension liability experienced changes from the prior year. The deferred outflows of resources of $62,577,000 in Fiscal Year 2016, $57,286,000 in Fiscal Year 2015 and $34,882,000 in Fiscal Year 2014 represent the deferred loss on bond refundings. In addition, in Fiscal Year 2016 and 2015 the deferred outflows of resources and deferred inflows of resources sections include items related to the PERA pension whose liability was recorded due to the implementation of Statement No. 68 (See Note 1). The increase in deferred outflows PERA pension-related, the increase in deferred inflows, PERA-pension related, as well as the decrease in unrestricted net position are related to the University's Fiscal Year 2016 adjustment for GASB 68 which was completed based on the PERA Fiscal Year 2015 Comprehensive Annual Financial Report. Analysis of the University's capital assets and related debt is included in the section Capital Asset and Debt Management, whereas this section provides analysis of the University's noncapital assets and other liabilities.

Figure 1. Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position as of June 30, 2016, 2015, and 2014 *(in thousands)*

	2016	2015	2014
Assets			
Current assets	$ 808,547	770,484	669,237
Noncurrent, noncapital assets	2,137,091	2,198,223	2,088,126
Net capital assets	3,358,591	3,206,684	2,884,916
Total Assets	**6,304,229**	**6,175,391**	**5,642,279**
Deferred Outflows			
Loss on bond refundings	62,577	57,286	34,882
PERA pension-related	135,549	49,294	-
Total Deferred Outflows	**198,126**	**106,580**	**34,882**
Total Assets and Deferred Outflows	**6,502,355**	**6,281,971**	**5,677,161**
Liabilities			
Current liabilities	655,844	654,739	559,364
Noncurrent liabilities	3,309,686	3,146,892	1,825,675
Total Liabilities	**3,965,530**	**3,801,631**	**2,385,039**
Deferred Inflows			
PERA pension-related	23,830	7,317	-
Total Deferred Inflows	**23,830**	**7,317**	-
Total Liabilities and Deferred Inflows	**3,989,360**	**3,808,948**	-
Net Position			
Net investment in capital assets	1,821,752	1,762,302	1,633,209
Restricted for nonexpendable purposes	58,390	58,390	32,861
Restricted for expendable purposes	484,706	452,047	448,402
Unrestricted	148,147	200,284	1,177,650
Total Net Position	**2,512,995**	**2,473,023**	**3,292,122**
Total Net Position and Liabilities and Deferred Inflows	**$ 6,502,355**	**6,281,971**	**5,677,161**

The University's investments were $2,361,851,000 and $2,468,636,000 at June 30, 2016 and 2015, respectively, representing a decrease of $106,785,000. The decrease in investments in Fiscal Year 2016 was primarily due to market fluctuations and a decrease in investment returns due to market conditions. The decrease in investments is also attributable to the increase in accounts receivable discussed below.

The University's investments were $2,468,636,000 and $2,305,328,000 at June 30, 2015 and 2014, respectively, representing an increase of $163,308,000. The increase in investments in Fiscal Year 2015 was primarily due to normal fluctuations in balances such as changes in fair value and reallocation between funds held in cash versus those invested.

The increase in net accounts and loans receivable from Fiscal Year 2015 to 2016 of $98,886,000 was primarily due to a delay in billing for expenses incurred on sponsored projects. The unbilled amounts decreased subsequent to year-end. The increase from Fiscal Year 2014 to 2015 of $20,525,000 was primarily due to the sale of the remaining property parcel at 9th and Colorado campus.

The University's non-debt-related liabilities were $2,274,484,000, $2,094,001,000 and $876,142,000 at June 30, 2016, 2015 and 2014, respectively. These liabilities are comprised of amounts categorized in Figure 2.

Figure 2. Composition of Non-debt-related Liabilities as of June 30, 2016, 2015, and 2014 *(in thousands)*

		2016	2015	2014
Accounts payable	$	103,591	144,061	96,054
Accrued expenses		243,474	228,898	215,932
Compensated absences		204,028	182,404	166,505
Other postemployment benefits		289,133	241,779	195,587
Net pension		1,175,591	1,060,337	-
Unearned revenue		169,507	153,682	123,661
Alternate medicare plan		11,600	9,900	8,200
Early retirement incentive program		7,222	9,102	10,851
Risk financing		29,862	25,155	23,294
Construction contract retainage		19,821	17,878	10,502
Funds held for others		16,757	17,026	16,102
Miscellaneous liabilities		3,898	3,779	9,454
Total Non-debt-related Liabilities	**$**	**2,274,484**	**2,094,001**	**876,142**

The largest categories of non-debt-related liabilities are accrued expenses, compensated absences, other postemployment benefits (OPEB), the net pension liability and unearned revenue. Accrued expenses primarily represent salaries and benefits earned by University employees, primarily for June payroll, but not paid as of fiscal year end. This balance will vary depending upon the timing of payment of bi-weekly payrolls.

Compensated absences and OPEB estimate the amount payable to employees in the future for their vested rights under the University's various leave and retirement programs. This estimate is based on personnel policies that define the amount of vacation, sick leave, and other postemployment benefits to which each employee may be entitled (Note 1). Compensated absences typically increase year-over-year as employees accrue additional vacation days and salaries change.

The University is required to account for and report on OPEB (Note 7). Such benefits include health insurance benefits for University retirees and their dependents. The accounting standard requires a liability to be recorded for the cumulative difference between the annual OPEB cost and the employer's contribution to fund the obligation. The University has chosen to fund this liability on a pay-as-you-go basis rather than fund the annual OPEB cost. The unfunded actuarial liability, as determined by the University's actuary, is $523,409,000 as of July 1, 2015 and July 1, 2014. The unfunded actuarial liability represents the excess of the actuarial accrued liability (the obligation for benefits earned) over the actuarial value of assets. As noted earlier, the University has elected not to fund this liability; therefore there are no assets held in trust to pay future benefits which have been earned by employees. Currently, generally accepted accounting principles (GAAP) do not require the total unfunded actuarial liability amount to be reflected in the financial statements and the liability is, therefore, not included in Figure 2. GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* issued June 2015 and effective for Fiscal Year 2018 requires the full recognition of the liability to employees for OPEB. Therefore, the existence and amount of this balance should be considered in determining future resource demands on the University. As noted in Figure 2, the liability required to be reported in the financial statements totaled $289,133,000 in Fiscal Year 2016, an increase of $47,354,000, and the liability for OPEB totaled $241,779,000 in Fiscal Year 2015, an increase of $46,192,000. This increase is primarily due to the annual required contributions of $65,667,000 for each fiscal year offset by pay-as-you-go amounts of approximately $14,350,000 and $16,269,000 for Fiscal Year 2016 and 2015, respectively. The remaining change is detailed in Table 7.2 contained in Note 7 to the financial statements.

As discussed earlier, the University adopted the provisions of GASB Statement No. 68 effective July 1, 2014. As PERA did not provide the necessary information to restate the Fiscal Year 2014 financial statements, the impact of this adoption is reflected as a cumulative effect as of the beginning of Fiscal Year 2015. As such, no Fiscal Year 2014 balances in this Management's Discussion and Analysis (MD&A) reflect the impact of Statement No. 68.

As discussed in Note 15, the University participates in the state-wide PERA cost-sharing defined benefit pension plan. Statement No. 68 requires the University to record its "proportionate share" of PERA's net pension liability. The University has no legal requirement to pay this liability in the event of insolvency nor does it have the ability to determine the employer or employee annual contributions. The liability cannot be prepaid. Per PERA's Fiscal Year 2015 Comprehensive Annual Financial Report, PERA's net pension liability for the state division in which the University participates is $10,531,033,000. The University's "proportionate share" based on calendar 2015 contributions is $1,175,591,000. While the net pension liability increases total liabilities, decreases unrestricted net position, and increases pension expense, associated cash flow out of the University remains fixed by the contribution levels set in State statute. For PERA's Fiscal Year 2014 Comprehensive Annual Financial Report, the net pension liability was $9,406,514,000 and the University's proportionate share was $1,060,337,000.

Unearned revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors for which the University has not met all of its requirements for revenue recognition (Note 8). These amounts will be recognized as revenue in future periods after all conditions have been satisfied. The unearned revenue balance fluctuates from year to year depending on factors such as the timing of the first day of classes and the rate of spending on grants and contracts in which payment has been received in advance. In Fiscal Year 2016, University of Colorado Boulder's (CU Boulder) Laboratory for Atmospheric and Space Physics (LASP) received an advanced-pay sponsored project of which $39.1 million was unearned at year-end.

The accounts payable balance has fluctuated over the past few years. The balance was higher at June 30, 2015 due to numerous ongoing capital construction projects on each of the campuses that were completed during Fiscal Year 2016.

The University's net position may have restrictions imposed by external parties, such as donors, or include items that, by their nature are invested in capital assets (property, plant, and equipment) and are therefore not available for expenditure or debt repayment. To help understand these restrictions, the University's net position is shown in four categories, as displayed in Figure 1.

A portion of net position is restricted for either expendable or nonexpendable purposes. This portion is then more specifically delineated by programmatic restrictions. The programmatic category of the restriction is shown on the statement of net position. A nonexpendable restriction requires the original principal to be set aside for perpetual investment (as an endowment). The majority of the endowment assets benefiting the University are held by the University of Colorado Foundation (CU Foundation), which is a discretely presented component unit (Note 17) and not included in the above amounts. An expendable restriction allows the University to spend the full amount, but only for the purposes identified by the entity providing the money. Unrestricted net position, as defined by GAAP, is available for spending for any lawful purpose under the full discretion of management. However, the University has placed internal limitations on future use by designating unrestricted net position for certain purposes in keeping with management's plans to manage resources (Note 11).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Figure 3 illustrates the University's summary of revenues, expenses, and changes in net position. A key component of this summary is the differentiation of operating and nonoperating activities. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues/expenses include items determined to not fall in the operating category.

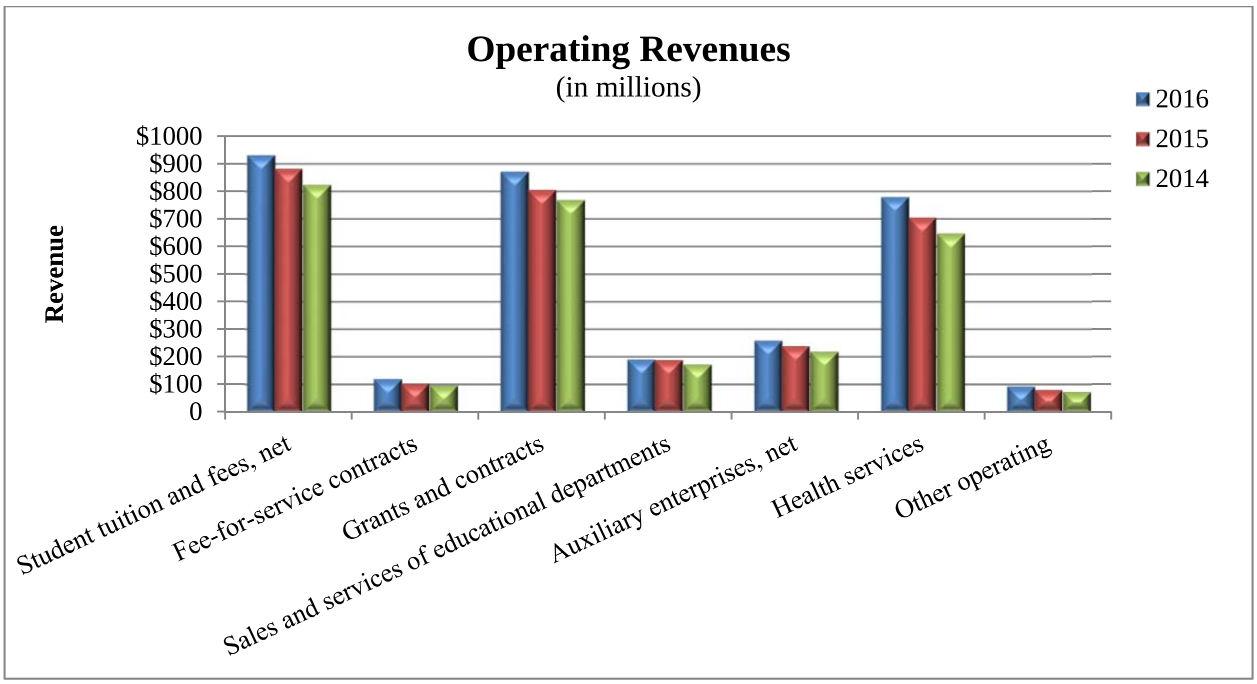
Figure 3. Summary of Revenues, Expenses, and Changes in Net Position for Years Ended June 30, 2016, 2015, and 2014 *(in thousands)*

	2016	2015	2014
Operating revenues	$ 3,253,072	3,018,930	2,811,353
Operating expenses	3,462,449	3,174,697	2,937,220
Operating Loss	**(209,377)**	**(155,767)**	**(125,867)**
Nonoperating revenues, net	202,406	217,013	361,916
Income (Loss) Before Other Revenues	**(6,971)**	**61,246**	**236,049**
Other revenues	46,943	109,243	33,511
Increase in Net Position	**39,972**	**170,489**	**269,560**
Net Position, beginning of year	2,473,023	3,292,122	3,022,562
Cumulative effect of adoption of new accounting principle	-	(989,588)	-
Net Position, beginning of year, as restated	2,473,023	2,302,534	3,022,562
Net Position, End of Year	**$ 2,512,995**	**2,473,023**	**3,292,122**

Figure 4 provides an illustration of gross operating and nonoperating revenues by major sources excluding capital-related revenues. These sources include both State-appropriated and non-appropriated funds (Note 12). Appropriated funds are those controlled by Legislature through the general or special appropriation process and are designated for specific purposes. In Fiscal Year 2016, appropriated funds primarily included State of Colorado (State) stipends, fee-for-service contract revenues, and tobacco litigation settlement monies. The College Opportunity Fund (COF) provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. The Fiscal Year 2016, 2015 and 2014 State budgets specifically excluded student tuition and fees from appropriated funds. In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all the local governments and the State, including the University. In Fiscal Year 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the Colorado Revised Statutes that an institution of higher education may be designated as an "enterprise" for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenue in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any provisions of TABOR. In July 2005, the University's Board of Regents (the Regents) designated the University as a TABOR enterprise pursuant to the statute. During the Fiscal Years ended June 30, 2016 and 2015, the University believes it has met all requirements of TABOR enterprise status (Note 12). The amount of State grants received by the University was 1.40 percent and 1.31 percent of total annual revenues during the Fiscal Years ended June 30, 2016 and 2015, respectively. The ability of the Regents to increase tuition rates is limited by the State, although the University's operations no longer impact the State's TABOR spending limits due to the University's enterprise status.

Figure 4. Operating and Nonoperating Revenues (Excluding Capital) for Years Ended June 30, 2016, 2015, and 2014 *(in thousands)*

		2016	2015	2014
Operating Revenues				
Student tuition and fees, net	$	932,656	884,810	826,104
Fee-for-service contracts		121,440	104,745	97,445
Grants and contracts		872,665	807,092	770,282
Sales and services of educational departments		191,590	191,520	173,912
Auxiliary enterprises, net		259,826	241,415	220,771
Health services		781,257	707,198	648,768
Other operating		93,638	82,150	74,071
Total Operating Revenues		**3,253,072**	**3,018,930**	**2,811,353**
Nonoperating Revenues				
Federal Pell Grant		48,383	48,513	46,355
State appropriations		12,429	13,008	13,720
Gifts		174,926	142,176	116,693
Investment income, net		18,516	34,680	226,570
Royalty income, net		2,851	2,873	2,560
Other nonoperating, net		7,422	8,408	6,784
Total Nonoperating Revenues		**264,527**	**249,658**	**412,682**
Total Noncapital Revenues	**$**	**3,517,599**	**3,268,588**	**3,224,035**



The University experienced increases in all operating revenue sources in Fiscal Year 2016. The increases in tuition and fee revenue for Fiscal Years 2016 and 2015 reflect a combination of changing enrollment and rate increases. In Fiscal Year 2016 and 2015, enrollment increased by 1.94 percent and 2.79 percent, respectively. In Fiscal Year 2016, approved tuition rates increased 2.9 percent at CU Boulder, 3.5 percent at the University of Colorado Colorado Springs (UCCS), and 3.8 percent at the University of Colorado Denver (CU Denver). In Fiscal Year 2015, the increases were 3.3 percent, 3.2 percent, and 3.5 percent, respectively. At the University of Colorado Anschutz Medical Campus (CU Anschutz), the increase to approved tuition rates ranged from 0 percent to 32 percent in Fiscal Year 2016, and ranged from 0 percent to 36.0 percent in Fiscal Year 2015.

In Fiscal Years 2016, 2015 and 2014, the University applied $63,175,000, $62,353,000 and $52,810,000, respectively; of COF stipends against student tuition bills (these amounts are included in tuition revenues). Fee-for-service revenue from the State increased $16,695,000 between Fiscal Year 2016 and 2015, and $7,300,000 between Fiscal Year 2015 and 2014, due to the State budget.

Consistent with the University's goal to increase its focus and national role as a comprehensive research institution, one of the two largest sources of revenue for the University continues to be grants and contracts revenue, which includes funding from federal, state, and local governments, and private sources. Grants and contracts revenue from the federal government represents 77 percent, 79 percent and 81 percent of total grants and contract revenue for Fiscal Year 2016, 2015 and 2014, respectively. Each grant or contract is restricted in use to the purpose given and limited to the cost principles specified by each sponsor. The increase in recent years is due to the addition of several large sponsored project awards from federal sponsors such as the National Aeronautics and Space Administration (NASA), National Institute of Standards and Technology (NIST) and National Institutes of Health (NIH). These grants also provide necessary funding for the administrative functions and facilities that support the grants through the facilities and administrative reimbursement. In Fiscal Years 2016, 2015 and 2014, the University received $180,353,000, $162,766,000 and $156,916,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges portions of this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues, thus creating a reliance on continued federal research funding.

The increase to auxiliary enterprise revenues in Fiscal Year 2016 is due to an increase in student body, affecting housing, dining and food services at UCCS where the food service is in house. At CU Boulder, the increases were due to Housing & Dining Services (HDS) room and board and meal revenue, Bookstore revenue and Athletics revenue.

The increase to auxiliary enterprise revenues in Fiscal Year 2015 is due to the addition of food services, catering, coffee shops, resident hall dining, housing room and board, increased Bookstore revenue and increased Athletics revenue. At CU Boulder, revenues at HDS increased due to a 4.5 percent increase to room & board rates, coupled with the addition of 440 beds, which was an approximate 6.8 percent increase to inventory after the renovation of Baker Hall in the prior academic year. Additionally, HDS experienced increases in both walk-in and block meal plan sales. These factors all contributed to HDS's 9.6 percent increase in auxiliary revenues. The revenue increase for Athletics was due to increases in the Pac-12 Conference distributions. Fiscal Year 2015 was the initial year for the College Football Playoff which brought the University's share of postseason football revenues to almost $5 million compared to approximately $2 million in Fiscal Year 2014. The increase in auxiliary enterprises revenue is also due to the addition of food services including catering, coffee shops and resident hall dining at UCCS.

The majority of health services revenue includes medical practice plan revenues earned through UPI (Notes 1 and 16), which has experienced growth in operating revenue of 10.9 percent. Patient services revenue contributed the majority of the operating revenue increase which was driven by a 7.5 percent growth in clinical volumes and ongoing efforts to maximize reimbursement rates for commercial insurance.

Gifts increased $32,750,000 between Fiscal Year 2016 and 2015 mainly due to an increase of academic support gifts from University of Colorado Health (UCH) and Children's Hospital Colorado Association (Children's Colorado) at the CU Anschutz and an upgrade and expansion of satellite mission design software licenses gifted to the Aerospace Engineering Sciences department. Gifts increased $25,483,000 between Fiscal Year 2015 and 2014 due to an increase of academic support gifts from UCH and Children's Colorado at CU Anschutz and an upgrade and expansion of satellite mission design software licenses gifted to the Aerospace Engineering Sciences department, increases in gifts to the Leeds School of Business, the Silicon Flatirons Center in the School of Law and the Department of Biochemistry at CU Boulder.

Investment income is subject to inherent variability due to the requirement to record the majority of investments at fair value. Investment income decreased to $18,516,000 in Fiscal Year 2016, and decreased in Fiscal Year 2015 to $34,680,000 mainly due to changes in the fair market value of investments. In Fiscal Year 2014, investment income was $226,570,000. In Fiscal Year 2016, the University's unrealized gains on investments (the difference between the investment's fair value and cost basis) decreased by $74,851,000. In Fiscal Year 2015, the University's unrealized gains on investments decreased by $25,299,000.

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5.

Figure 5. Capital Revenues for Years Ended June 30, 2016, 2015, and 2014
(in thousands)

		2016	2015	2014
Capital student fee, net	$	11,612	8,458	8,065
Capital appropriations		24,860	18,193	6,183
Capital grants and gifts		10,471	57,063	19,263
Gain (loss) on disposal of capital assets		(5,858)	21,334	(1,582)
Total Capital Revenues	**$**	**41,085**	**105,048**	**31,929**

The University received appropriations from the State of $24,860,000 in Fiscal Year 2016 compared to $18,193,000 in Fiscal Year 2015 and $6,183,000 in Fiscal Year 2014. These monies are used for various controlled maintenance and other capital construction activity and fluctuate year to year based on the State budget.

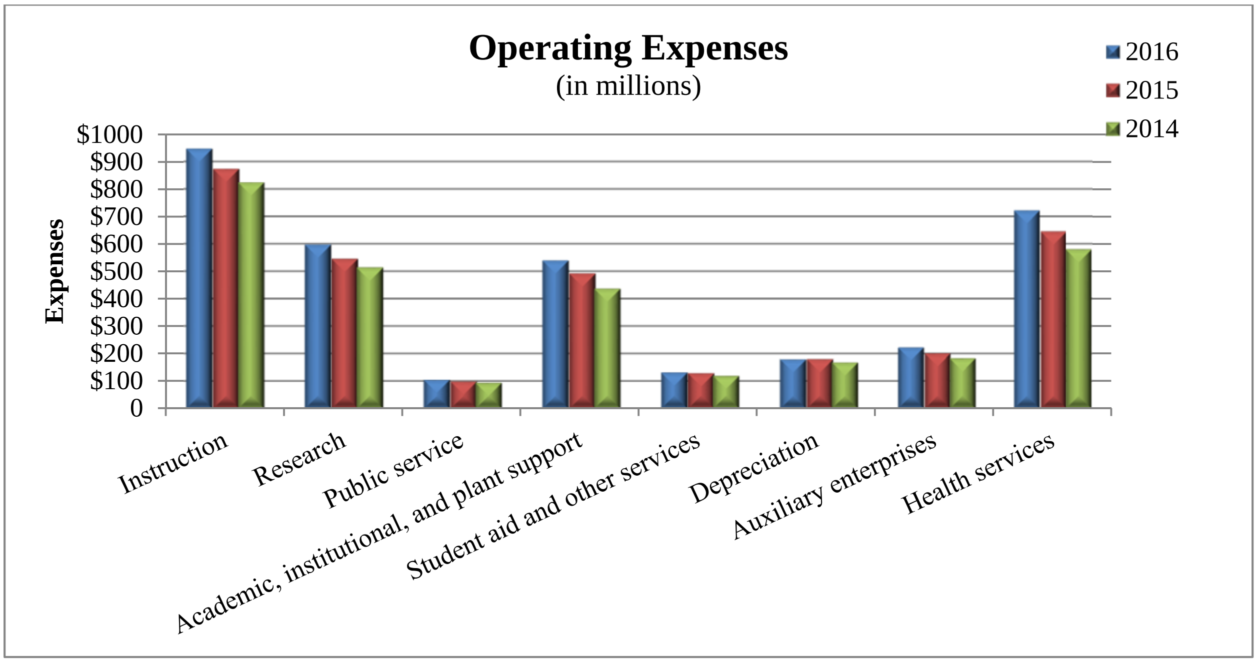
Capital grants and gifts decreased $46,592,000 in Fiscal Year 2016 due to The Wildlife Experience (TWE) land and building that were donated to the University in the prior fiscal year. The TWE donation had resulted in a capital grants and gifts increase of $37,800,000 in Fiscal Year 2015.

The gain on disposal of capital assets in Fiscal Year 2015 was due primarily to the sale of the remaining parcel for the former 9th and Colorado campus.

The programmatic uses of resources are displayed in Figure 6 and demonstrate that the focus is basically unchanged over the past three fiscal years. Total educational and general programs overall have grown by 8.8 percent and 7.3 percent in Fiscal Year 2016 and 2015, respectively. The increase in academic, institutional, and plant support is related to the increases in instruction. The increase in instruction is partly due to the increased number of students and general increases in the cost of education. The increase in research expenditures relate to increased Federal sponsored project awards in various departments and increases in institutional and state-funded needs-based financial aid programs. In addition, pension expense increased by $20,645,000 in Fiscal Year 2016 which was allocated across the various expense program categories based on the related payroll. In Fiscal Year 2015, pension expense increased by $32,709,000.

Figure 6. Expense Program Categories for Years Ended June 30, 2016, 2015, and 2014
(in thousands)

		2016	2015	2014
Instruction	$	949,007	874,923	825,919
Research		601,354	547,036	517,244
Public service		106,366	99,512	95,251
Academic, institutional, and plant support		542,808	493,629	439,807
Student aid and other services		132,876	129,633	120,976
Total Education and General		**2,332,411**	**2,144,733**	**1,999,197**
Depreciation		181,191	180,843	170,090
Auxiliary enterprises		224,523	202,682	185,094
Health services		724,324	646,439	582,839
Total Operating Expenses	**$**	**3,462,449**	**3,174,697**	**2,937,220**



The amounts shown for student aid do not reflect the actual resources dedicated to student aid. The majority of the University's student aid resources are netted against tuition, fee, and auxiliary revenue as a scholarship allowance (Note 13). The University's scholarship allowance was $187,250,000, $172,463,000 and $155,135,000 in Fiscal Year 2016, 2015 and 2014, respectively.

Auxiliary expenses increased in Fiscal Year 2016 primarily due to an increase in HDS operations expenses and the bookstore operations. Auxiliary expenses increased in Fiscal Year 2015 primarily due to food services to include catering, coffee shops and resident hall dining as well as the addition of food service at UCCS.

Increases in expenses related to health services, which are primarily related to UPI, are consistent with the associated increases in health services revenue discussed earlier in this section.

CAPITAL ASSETS AND DEBT MANAGEMENT

The University had $5,352,014,000, $5,055,388,000 and $4,732,746,000 of plant, property, and equipment at June 30, 2016, 2015 and 2014, respectively, offset by accumulated depreciation of $1,993,423,000, $1,848,704,000 and $1,847,830,000, respectively. The major categories of plant, property, and equipment at June 30, 2016, 2015 and 2014 are displayed in Figure 7. Related depreciation charges of $181,191,000, $180,843,000 and $170,090,000 were recognized in the Fiscal Years 2016, 2015 and 2014, respectively. Detailed financial activity related to the changes in capital assets is presented in Note 5. Figure 8 details the University's current construction commitments.

Figure 7. Capital Asset Categories (before depreciation) as of June 30, 2016, 2015, and 2014 *(in thousands)*

		2016	2015	2014
Land	$	65,374	65,266	58,565
Construction in progress		274,770	534,173	266,229
Buildings and improvements		4,018,668	3,496,747	3,496,732
Equipment		504,054	494,899	466,679
Software and other intangibles		92,712	85,777	82,747
Library and other collections		396,436	378,526	361,794
Total Capital Assets (gross)	**$**	**5,352,014**	**5,055,388**	**4,732,746**

Figure 8. Current Construction Projects as of June 30, 2016

Campus/Project Description	Financing Sources		Value*
CU Boulder:			
Engineering Center Complex Renovation	Campus cash resources	$	24,750
Wilderness Place ACQ & Renovation	Campus cash resources		27,143
Campus Utility System (capped $85.6 mm)	Bond proceeds and campus cash resources		5,500
Geosciences Building (SEEC) (capped $83.4 mm)	Bond proceeds and campus cash resources		28,049
Euclid Autopark Addition (Center for Academic Success)	Campus cash resources		43,000
Ekeley Sciences Middle Wing Renovation	Campus cash resources		14,362
Williams Village Dining and Community Center	Campus cash resources		48,900
Housing Bathroom Upgrades	Campus cash resources		9,563
Ketchum Renovation (RAP029/P07)	State appropriation and campus cash resources		21,892
Jennie Smoly Caruthers Biotech Bldg (5th Wing)	Governmental grants and contracts, bond proceeds, and campus cash resources		32,266
CU Denver:			
Denver Wellness Center	Bond proceeds and capital student fee		42,322
Campus Support Building Renovation	Campus cash resources		8,085
North Classroom Building Renovation	Campus cash resources		33,472
UCCS:			
Alpine Village	Bond proceeds		68,000
ENT Center for the Arts	State, gift, and campus cash resources		
North Nevada Infrastructure	Campus cash resources/System cash resources/gift		20,000

** Value represents budgeted costs for project in thousands*

During Fiscal Year 2016, the University issued $188,240,000 in revenue bonds to fund the following University of Colorado Improvement Projects: a Wellness Center at CU Denver and a surface parking lot at UCCS. These bonds are special, limited obligations of the University, payable solely from net revenues derived from certain fees, facilities and operations of the University.

At June 30, 2016, 2015 and 2014, the University had debt (or similar long-term obligations) of $1,691,046,000, $1,707,630,000 and $1,508,897,000, respectively, in the categories illustrated in Figure 9. More detailed information about the University's debt is included in Note 9.

Figure 9. Debt Categories as of June 30, 2016, 2015, and 2014

(in thousands)		2016	2015	2014
Revenue bonds	$	1,675,644	1,690,795	1,493,279
Capital leases		15,402	16,835	15,618
Total Long-term Debt	**$**	**1,691,046**	**1,707,630**	**1,508,897**

The Regents have adopted a debt management policy that includes limitations on the use of external debt. The University Treasurer will report to the Regents, prior to the issuance of new debt, the effect that the new debt will have on the University's debt capacity ratio to ensure the 7 percent debt ratio limit currently established by the Regents is not exceeded. The ratio is calculated as maximum annual debt service as a percentage of the University's unrestricted current fund expenditures plus mandatory transfers. State statute sets the maximum for this ratio at 10 percent in C.R.S. 23-20-129.5. A component of this policy is debt capacity, which is the calculated ratio of the University's debt service requirement as compared to certain unrestricted revenues. The University maintained its debt capacity limits. The University minimizes financing costs by monitoring current market conditions and by maintaining a bond rating of Aa2 and AA+ (Moody's and Fitch, respectively).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Fiscal Year 2017 budget approved by the State Legislature for higher education funding was held flat. The University did receive a $4,700,000 increase in state support through the higher education funding formula. The budget for the University for Fiscal Year 2017, as approved by the Regents, increased approximately $205,000,000, or 5.7 percent.

Over the past several years, the University has experienced continuing increases in net operating losses. Figure 10 illustrates this trend and the impact of UPI. Operating income from UPI offsets a portion of the University's operating loss.

Additionally, the University has experienced increases in net position since Fiscal Year 2009 despite incurring operating losses. Figure 10 identifies the largest items contributing to increases in net position.

Figure 10. Four Year Trend - Operating Loss and Change in Net Position for Years Ended June 30, 2016, 2015 and 2014 *(in thousands)*

		2016	2015	2014	2013
Operating loss per audited financial statements	$	(209,377)	(155,767)	(125,867)	(103,127)
Operating income from UPI (a blended component unit)		54,500	50,659	53,037	50,659
Operating loss excluding impact of UPI	$	(263,877)	(206,426)	(178,904)	(153,786)
Percent increase from prior year		27.8%	15.4%	16.3%	72.3%
Four Year Trend - Change in Net Position	$	39,972	170,489	269,560	217,859
Amount attributable to:					
Operating income from UPI		(54,500)	(50,659)	(53,037)	(50,659)
Investment income (nonoperating revenue)		(18,513)	(34,680)	(226,570)	(130,685)
Gifts (nonoperating revenue)		(174,926)	(142,176)	(116,693)	(101,439)
TWE gift		-	(37,801)	-	-
Gain on sale of 9th and Colorado		-	(24,300)	-	-
Change in Net Position excluding UPI, Investment Income, and Gifts	**$**	**(207,967)**	**(119,127)**	**(126,740)**	**(64,924)**

Due to the nature of funding for public institutions of higher education, operating losses are normal. Colorado is unique in that the majority of funding from the state comes in the form of stipends paid directly to students and from fee-for-service agreements in which the state pays its public higher education institutions for providing certain agreed-upon educational activities. Unlike regular state appropriations, stipends and fee-for-service revenues are included in operating revenue. This difference in funding models between Colorado and the remainder of the country is a consideration when comparing results between the University and out-of-state peers.

Figure 10 highlights several aspects of the University's financial results that may be useful in analyzing both the trend in operating losses and the drivers in change in net position. First, operating income from UPI (a blended component unit) reduces the operating loss resulting from the University's standalone results. Second, operating losses (both on a standalone basis and a blended basis) have been increasing year over year.

During Fiscal Year 2015, University management conducted an analysis to determine the drivers of these results. Results showed that increases in the Consumer Price Index (CPI) explains most of the increase in Education and General per student spending. The student to employee ratio is the same today as it was 15 years ago. Average employee total compensation growth between 2011 and 2014 was below CPI. One driver in the increase in operating loss is the shift in student enrollment to majors that are higher cost due to either more dependence on laboratory space or market-driven compensation for instructors. The differences in tuition charged between these higher cost majors and those majors at the lower end of the cost spectrum do not cover the difference in the cost of education provided.

Figure 10 also displays the increasing role of not only UPI operating revenue, but also the increasing importance of investment income and gift income (both of which are nonoperating revenues) to generating increases in net position over the last several years despite the increases in operating losses. In Fiscal Year 2015, the increase in net position was bolstered by the gift of TWE property and the sale of land at the former 9th and Colorado campus. UPI operating income and nonoperating revenues, primarily investment income and gifts, is increasingly subsidizing the University's operating activities.

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2016 and 2015 *(in thousands)*

	2016		*2015*	
	University	*Component Units*	*University*	*Component Units*
Assets				
Current Assets				
Cash and cash equivalents (Note 2)	$ 88,005	39,583	102,893	24,944
Investments (Note 3)	297,418	7,795	351,891	7,415
Accounts, contributions, and loans receivable, net (Note 4)	398,388	20,966	290,141	20,525
Inventories	20,905	-	20,152	-
Other assets	3,831	1,669	5,407	1,634
Total Current Assets	**808,547**	**70,013**	**770,484**	**54,518**
Noncurrent Assets				
Investments (Note 3)	2,064,433	1,456,655	2,116,745	1,480,171
Assets held under split-interest agreements (Note 3)	-	37,501	-	44,119
Accounts, contributions, and loans receivable, net (Note 4)	61,007	90,784	70,368	65,405
Other assets	11,651	8,206	11,110	7,349
Capital assets, net (Note 5)	3,358,591	71,820	3,206,684	56,186
Total Noncurrent Assets	**5,495,682**	**1,664,966**	**5,404,907**	**1,653,230**
Total Assets	**6,304,229**	**1,734,979**	**6,175,391**	**1,707,748**
Deferred Outflows				
Loss on bond refundings	62,577	-	57,286	-
PERA pension-related (Note 15)	135,549	-	49,294	-
Total Deferred Outflows	**198,126**	**-**	**106,580**	**-**
Total Assets and Deferred Outflows	**$ 6,502,355**	**1,734,979**	**6,281,971**	**1,707,748**
Liabilities				
Current Liabilities				
Accounts payable	$ 103,591	10,155	144,061	7,505
Accrued expenses (Note 6)	243,474	-	228,898	-
Compensated absences (Note 7)	14,691	-	13,516	-
Unearned revenue (Note 8)	159,610	950	143,211	863
Bonds and capital leases (Note 9)	77,241	6,755	72,080	627
Split-interest agreements	-	2,490	-	2,765
Custodial funds	-	13,354	-	10,946
Alternate medicare plan (Note 15)	1,580	-	1,509	-
Early retirement incentive program (Note 15)	2,839	-	3,070	-
Other liabilities (Note 10)	52,818	-	48,394	-
Total Current Liabilities	**655,844**	**33,704**	**654,739**	**22,706**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2016 and 2015 *(in thousands)*

		2016		2015	
			Component		Component
		University	Units	University	Units
Noncurrent Liabilities					
Compensated absences (Note 7)		189,337	-	168,888	-
Other postemployment benefits (Note 7)		289,133	-	241,779	-
Net pension (Note 15)		1,175,591	-	1,060,337	-
Unearned revenue (Note 8)		9,897	-	10,471	-
Bonds and capital leases (Note 9)		1,613,805	63,931	1,635,550	69,155
Split-interest agreements		-	15,315	-	18,486
Custodial funds		-	328,691	-	343,826
Alternate medicare plan (Note 15)		10,020	-	8,391	-
Early retirement incentive program (Note 15)		4,383	-	6,032	-
Other liabilities (Note 10)		17,520	21,734	15,444	14,991
Total Noncurrent Liabilities		**3,309,686**	**429,671**	**3,146,892**	**446,458**
Total Liabilities		**3,965,530**	**463,375**	**3,801,631**	**469,164**
Deferred Inflows					
PERA pension-related (Note 15)		23,830	-	7,317	-
Total Deferred Inflows		**23,830**	**-**	**7,317**	**-**
Total Liabilities and Deferred Inflows	**$**	**3,989,360**	**463,375**	**3,808,948**	**469,164**
Net Position					
Net investment in capital assets	$	1,821,752	24,030	1,762,302	(6,076)
Restricted for nonexpendable purposes (endowments)					
Instruction		-	280,422	-	254,053
Research		22,180	30,664	22,180	29,973
Academic support		21,169	29,101	21,169	26,937
Scholarships and fellowships		13,883	154,454	13,883	139,774
Capital and other		1,158	436	1,158	473
Total restricted for nonexpendable purposes		58,390	495,077	58,390	451,210
Restricted for expendable purposes					
Instruction		75,737	369,147	58,185	361,938
Research		32,344	95,595	30,137	73,251
Academic support		34,768	62,434	43,624	74,221
Student loans and services		45,226	-	47,021	-
Scholarships and fellowships		38,277	135,609	38,276	148,993
Auxiliary enterprises		145,282	-	124,860	-
Capital		60,306	54,420	67,763	61,217
Other		52,766	5,161	42,181	6,010
Total restricted for expendable purposes		484,706	722,366	452,047	725,630
Unrestricted (Note 11)		148,147	30,131	200,284	67,820
Total Net Position	**$**	**2,512,995**	**1,271,604**	**2,473,023**	**1,238,584**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2016 and 2015 *(in thousands)*

	2016		2015	
	University	*Component Units*	*University*	*Component Units*
Operating Revenues				
Student tuition (net of scholarship allowances of $164,458 in 2016 and $151,423 in 2015; net of bad debt of $2,479 in 2016 and $2,491 in 2015; pledged revenues of $846,334 in 2016 and $80,054 in 2015) (Note 9 and Note 13)	$ 846,334	-	800,541	-
Student fees (net of scholarship allowances of $16,985 in 2016 and $15,953 in 2015; net of bad debt of $202 in 2016 and $147 in 2015; pledged revenues of $2,200 in 2016 and $1,581 in 2015) (Note 9 and Note 13)	86,322	-	84,269	-
Fee-for-service contracts	121,440	-	104,745	-
Federal grants and contracts (pledged revenues of $134,399 in 2016 and $160,067 in 2015) (Note 9)	671,996	-	641,485	-
State and local grants and contracts (pledged revenues of $11,675 in 2016 and $12,074 in 2015) (Note 9)	58,376	-	48,387	-
Nongovernmental grants and contracts	142,293	-	117,220	-
Sales and services of educational departments (net of bad debt of $29 in 2016 and $0 in 2015; pledged revenues of $0 in 2016 and $4,058 in 2015) (Note 9)	191,590	-	191,520	-
Auxiliary enterprises (net of scholarship allowances of $3,902 in 2016 and $3,579 in 2015; net of bad debt of $516 in 2016 and $524 in 2015; pledged revenues of $54,793 in 2016 and $60,239 in 2015) (Note 9 and Note 13)	259,826	-	241,415	-
Health services (net of bad debt of $30,622 in 2016 and $34,757 in 2015; pledged revenues of $1,563 in 2016 and $1,474 in 2015) (Note 9 and Note 14)	781,257	-	707,198	-
Contributions	-	177,732	-	131,981
Other operating revenues (net of bad debt of $751 in 2016 and $2,429 in 2015; pledged revenues of $1,328 in 2016 and $1,277 in 2015) (Note 9)	93,638	20,333	82,150	11,210
Total Operating Revenues	**3,253,072**	**198,065**	**3,018,930**	**143,191**
Operating Expenses				
Education and general				
Instruction	949,007	-	874,923	-
Research	601,354	-	547,036	-
Public service	106,366	-	99,512	-
Academic support	177,806	-	172,990	-
Student services	113,266	-	109,452	-
Institutional support	232,184	136,461	186,344	150,637
Operation and maintenance of plant	132,818	-	134,295	-
Student aid	19,610	-	20,181	-
Total education and general expenses	**2,332,411**	**136,461**	**2,144,733**	**150,637**
Depreciation (Note 5)	181,191	2,309	180,843	2,506
Auxiliary enterprises	224,523	-	202,682	-
Health services (Note 14)	724,324	-	646,439	-
Total Operating Expenses	**3,462,449**	**138,770**	**3,174,697**	**153,143**
Operating Income (Loss)	**$ (209,377)**	**59,295**	**(155,767)**	**(9,952)**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and 2015 *(in thousands)*

	2016		*2015*	
	University	*Component Units*	*University*	*Component Units*
Nonoperating Revenues (Expenses)				
Federal Pell Grant	$ 48,383	-	48,513	-
State appropriations (Note 12)	12,429	-	13,008	-
Gifts	174,926	-	142,176	-
Investment income (net of investment expenses of $11,992 in 2016 and $11,223 in 2015) (Note 3)	18,516	(20,839)	34,680	42,190
Royalty income (net of royalty expense of $3,497 in 2016 and $6,813 in 2015; pledged revenues of $171 in 2016 and $179 in 2015) (Note 9)	2,851	-	2,873	-
Gain (loss) on disposal of capital assets	(5,858)	-	21,334	-
Interest expense on capital asset-related debt (including amortization of deferred loss of $10,511 in 2016 and $8,130 in 2015)	(55,060)	(3,715)	(50,932)	(3,742)
Bond issuance costs	(1,203)	-	(3,047)	-
Other nonoperating revenues (pledged revenues of $739 in 2016 and $747 in 2015) (Note 9)	7,422	(1,721)	8,408	-
Total Nonoperating Revenues (Expenses)	**202,406**	**(26,275)**	**217,013**	**38,448**
Income (Loss) Before Other Revenues	**(6,971)**	**33,020**	**61,246**	**28,496**
Other Revenues				
Capital student fee (net of scholarship allowance of $1,905 in 2016 and $1,508 in 2015; pledged revenue of $11,612 in 2016 and $8,458 in 2015) (Note 9 and Note 13)	11,612	-	8,458	-
Capital appropriations (Note 12)	24,860	-	18,193	-
Capital grants and gifts	10,471	-	57,063	-
Additions to permanent endowments	-	-	25,529	-
Total Other Revenues	**46,943**	**-**	**109,243**	**-**
Increase in Net Position	**39,972**	**33,020**	**170,489**	**28,496**
Net Position, beginning of year	2,473,023	1,238,584	3,292,122	1,210,088
Cumulative effect of adoption of new accounting principle (Note 1)	-	-	(989,588)	-
Net Position, beginning of year, as restated	**2,473,023**	**-**	**2,302,534**	**-**
Net Position, End of Year	**$ 2,512,995**	**1,271,604**	**2,473,023**	**1,238,584**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015 *(in thousands)*

	2016	2015
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 1,048,989	991,266
Grants and contracts	817,530	829,860
Sales and services of educational departments	191,590	191,520
Auxiliary enterprise charges	260,971	242,349
Health services	769,616	707,392
Other receipts	101,356	99,566
Payments to employees and benefits	(2,554,265)	(2,369,490)
Payments to suppliers	(572,648)	(472,841)
Payments for scholarships and fellowships	(19,610)	(20,181)
Total Cash Flows Provided by Operating Activities	**43,529**	**199,441**
Cash Flows from Noncapital Financing Activities		
Federal Pell Grant	48,383	48,513
State appropriations	12,429	13,008
Gifts and grants for other than capital purposes	174,926	142,176
Endowment additions	-	25,529
Agency transactions	(12,600)	(11,321)
Direct lending receipts	371,109	371,211
Direct lending disbursements	(371,437)	(371,511)
Total Cash Flows Provided by Noncapital Financing Activities	**222,810**	**217,605**
Cash Flows from Capital and Related Financing Activities		
State capital contributions	24,860	18,193
Capital student fees	11,612	8,458
Proceeds from capital debt	211,200	554,628
Bond issuance costs paid	(1,203)	(3,047)
Principal paid on capital debt and leases	(204,906)	(341,543)
Interest paid on capital debt and leases	(98,724)	(110,107)
Proceeds from sale of capital assets	10,506	40,525
Purchases and construction of capital assets	(362,764)	(440,503)
Total Cash Flows Used for Capital and Related Financing Activities	**(409,419)**	**(273,396)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	2,315,048	3,662,542
Purchase of investments	(2,283,115)	(3,843,999)
Investment earnings	93,408	59,937
Royalty income	6,348	9,686
Royalty fees paid	(3,497)	(6,813)
Total Cash Flows Provided by (Used for) Investing Activities	**128,192**	**(118,647)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(14,888)**	**25,003**
Cash and cash equivalents, beginning of year	102,893	77,890
Cash and Cash Equivalents, End of Year	**$ 88,005**	**102,893**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015 *(in thousands)*

		2016	*2015*
		University	
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss	$	(209,377)	(155,767)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense		181,191	180,843
Receipts of items classified as nonoperating revenues		7,422	8,408
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Receivables		(86,264)	4,593
Inventories		(753)	(955)
Other assets		1,033	(1,552)
PERA pension-related deferred outflow		(86,255)	(49,294)
Accounts payable		531	34,441
Accrued expenses		14,786	12,408
Unearned revenue		15,826	30,021
Compensated absences and other postemployment benefits		68,978	62,091
Net pension liability		115,254	70,749
Alternate medicare plan and early retirement incentive plan		(180)	(48)
Other liabilities		4,824	(3,814)
PERA pension-related deferred inflow		16,513	7,317
Net Cash Provided by Operating Activities	**$**	**43,529**	**199,441**

Noncash Transactions			
Donations of capital assets	$	1,337	40,193
Lease-financed acquisitions		1,482	4,063
Change in unrealized gains on investments		74,851	25,299
Amortization of premiums		24,360	18,416
Amortization of deferred loss		(10,511)	(9,926)

See accompanying notes to basic financial statements

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

The University of Colorado (the University) is a comprehensive degree-granting research university in the State of Colorado (the State). It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State's general elections. Serving staggered six-year terms, one member is elected from each of the State's seven congressional districts with two Regents elected from the State at large. The University comprises the system office and the following three accredited campuses, each with its unique mission as detailed below:

- **University of Colorado Boulder (CU Boulder)**

  Established in 1861, CU Boulder is a comprehensive graduate research university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.

- **University of Colorado Denver | Anschutz Medical Campus**

  Originally operated as two separate campuses, the Health Sciences Center and the Denver campus were established in 1883 and 1974, respectively. In 2004, the two campuses were institutionally merged into the University of Colorado Denver. The consolidated institution is an urban comprehensive research university offering a full range of undergraduate, graduate, and professional degree programs in life sciences, professional programs, and liberal arts. The campuses are currently referred to collectively as University of Colorado Denver | Anschutz Medical Campus (CU Denver | Anschutz) and separately as the University of Colorado Denver (CU Denver) and the University of Colorado Anschutz Medical Campus (CU Anschutz).

- **University of Colorado Colorado Springs (UCCS)**

  Established as a separate campus in 1965, UCCS is a comprehensive graduate research university (with selective admission standards) offering a comprehensive array of undergraduate, masters, and doctoral degree programs.

To accomplish its mission, the University has over 7,000 instructional faculty serving approximately 61,000 students through 421 degree programs in 26 schools and colleges.

BASIS OF PRESENTATION AND FINANCIAL REPORTING ENTITY

Blended Component Units

The University's financial reporting entity includes the operations of the University and all related entities for which the University is financially accountable. Financial accountability may stem from the University's ability to appoint a majority of the governing board of the related organization, its ability to impose its will on the related organization, its ability to access assets, or its responsibility for debts of the related organization. Blended component units generally include those entities (1) that provide services entirely to the University, (2) in which there is a financial benefit or burden relationship, or (3) in which management of the University has operational responsibility. The University has the following blended component units:

- **University of Colorado Property Corporation, Inc. (CUPCO)**

  Established in 2016 with operations starting in Fiscal Year 2017, CUPCO holds, invests, maintains, operates, and administers real and personal property for the benefit of the University. CUPCO is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. The University appoints CUPCO's governing body, is able to impose its will on the organization, and the organization provides services entirely to the University. There was no financial activity for CUPCO during the year ended June 30, 2016.

- **University License Equity Holding, Inc. (ULEHI)**

  Originally established in 1992, with a significant reorganization in 2001, ULEHI facilitates certain licensing activities for the University. ULEHI is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. The University appoints a voting majority of ULEHI's governing body, is able to impose its will on the organization, and the organization provides services entirely to the University.

  Detailed financial information may be obtained directly from ULEHI at 12635 East Montview Boulevard, Aurora, Colorado 80045.

- **University Physicians, Inc. (UPI)**

  Established in 1982, UPI performs the billing, collection, and disbursement services for the professional health services rendered for CU Anschutz as authorized in Section 23-20-114, Colorado Revised Statutes (C.R.S.). UPI is the School of Medicine's faculty practice plan with approximately 2,800 member physicians. It does not employ physicians or practice medicine directly; it provides the business and administrative support for the clinical faculty employed by the School of Medicine. It is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. Medical care is provided to patients throughout the Rocky Mountain region through a statewide and regional network of services. The University appoints a majority of UPI's governing body, and is able to impose its will. Additionally, UPI exclusively benefits the University by providing the services described above.

  In 1997, UPI acquired a 30 percent interest in the University of Colorado Hospital Authority's (the Hospital Authority) investment in TriWest Healthcare Alliance Corp. (TriWest). Since that time, the Hospital Authority sold 50 percent of the joint TriWest investment back to TriWest resulting in a revised ownership split between the Hospital Authority and UPI whereby UPI held 60 percent of the Hospital Authority's 15 percent investment. UPI received $0 in dividends during the years ended June 30, 2016 and 2015, respectively. In April 2013, TriWest was replaced by United Health Care as the network management services provider under the Department of Defense's TRICARE management contract. As a result of that event, TriWest recapitalized the corporation and completed a stock repurchase of all outstanding shares in February 2014. UPI received $17,151,000 for its ownership interest, which was included in investment income during the year ended June 30, 2014. A total of $9,731,000 was in the form of cash at closing, $3,250,000 of the proceeds were reinvested by UPI in the new TriWest entity, and the remaining $4,170,000 was paid in April 2015. UPI's new interest in TriWest represents 35 percent of a combined $9,250,000 investment held by the Hospital Authority. UPI and the Hospital Authority's investment in TriWest represented approximately 3 percent of the book value of the entity at closing of the transaction. UPI accounts for its participation in TriWest on the cost basis, and includes it in noncurrent other assets.

In December 2010, UPI, the Hospital Authority, and the University's School of Medicine (SOM) entered into a joint operating agreement to develop and operate a radiology imaging facility. No contributions were made in 2016 or 2015. Capital contributions and division of revenue and expenses will be split between the partners based upon the operating agreement. The University did not contribute any funds to the facility and has no equity interest in it. UPI recorded $894,000 and $1,026,000 in dividends during the years ended June 30, 2016 and 2015, respectively.

During 2009, UPI purchased 49 units representing a 24.5 percent share in The Children's Hospital North Surgery Center, LLC (Surgery Center) for $490,000. The Surgery Center was formed by the Children's Hospital Colorado Association (Children's Colorado), UPI, and individual community physicians for the purpose of owning and operating a multi-specialty ambulatory surgery center focused on pediatric care. UPI accounts for its participation in the Surgery Center on the cost basis. In addition to its interest in the entity, UPI has issued a maximum guarantee up to $1.2 million in support of a $4.7 million loan taken by the Surgery Center in support of its operations. The loan guarantee was approved by the UPI's Board of Directors in May 2012. In the event of default, UPI and Children's Colorado would be responsible for their proportionate interest in this indebtedness to the extent it could not be satisfied by liquidating any remaining interest in the venture. The separate financial statements of the joint ventures are available to UPI on at least an annual basis.

Detailed financial information may be obtained directly from UPI at P.O. Box 111719, Aurora, Colorado 80042-1719.

Additionally, financial statements for UPI's joint ventures may be requested at the addresses listed below:

TriWest Healthcare Alliance Corporate Office, PO Box 42049, Phoenix, Arizona 85080-2049.

Children's North Surgery Center, 469 West State Highway 7, Suite 2, Broomfield, Colorado 80023.

At the October 18, 2016 Board of Directors meeting, the Board approved renaming UPI to University of Colorado Medicine.

Discretely Presented Component Units

The University's financial statements include certain supporting organizations as discretely presented component units (DPCU) of the University (labeled component units). The majority of the resources, or income thereon that the supporting organizations hold and invest, are restricted to the activities of the University by the donors.

Because these restricted resources held by the supporting organizations can only be used by, or for the benefit of, the University, the following supporting organizations are considered DPCU of the University (see Note 17 for additional information):

- **University of Colorado Foundation (CU Foundation)**

  Established in 1967, the CU Foundation solicits, receives, holds, invests, and transfers funds for the benefit of the University. The CU Foundation, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, has a 15-member board of directors, of which a member of the Regents, the president of the University, and another University designee serve as ex-officio non-voting members. The board of directors elects its own members, other than those serving as ex-offcio non-voting members. The CU Foundation, as a not-for-profit entity, follows Financial Accounting Standards Board guidance in the preparation of its financial statements, which are then modified to match the University's financial reporting format.

Under an agreement between the CU Foundation and the University, the CU Foundation provides certain development and investment services to the University in exchange for a fee.

Detailed financial information may be obtained directly from the CU Foundation at 1800 Grant Street, Suite 725, Denver, Colorado 80203.

- **The University of Colorado Real Estate Foundation (CUREF)**

  Established in August 2002, CUREF solicits and manages real estate investments for the sole benefit of the University. CUREF, a nonprofit entity under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code, has up to a 14-member board of directors. Nine are voting members, of which four are appointed by the University. There are up to five ex-officio non-voting members.

  Campus Village Apartments, LLC (CVA), a Delaware limited liability company, was formed under the laws of the State of Delaware on May 25, 2005, with CUREF as the sole member. CVA is organized, operated, and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping, and operating a student housing facility located in Denver, Colorado, as well as improvements and amenities related to this facility.

  18th Avenue, LLC (18th Avenue), a Colorado limited liability company, was formed under the laws of the State of Colorado on April 26, 2006, with CUREF as the sole member. 18th Avenue is organized, operated, and dedicated exclusively to promoting CUREF's charitable purposes and to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, owning, operating, and maintaining real property consisting of an office building in Denver, Colorado.

  33rd Street, LLC (33rd Street), a Colorado limited liability company, was formed under the laws of the State of Colorado on April 26, 2006, with CUREF as the sole member. 33rd Street is organized, operated, and dedicated exclusively to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, owning, operating, and maintaining real property consisting of an industrial building in Boulder, Colorado.

  Partnership Holdings Venture, LLC (PHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. PHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including membership interest in real estate limited liability companies.

  Land Holdings Venture, LLC (LHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. LHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including holdings in land.

  The University of Colorado UK Foundation Limited (CU UK), a charitable company with limited liability, was formed under the laws of England and Wales and incorporated February 25, 2010, with CUREF as the sole shareholder. CU UK's purpose is to advance and promote education for the public benefit, in particular for any educational and charitable purposes connected with the University, its affiliates, and its past and present students and staff. CU UK owns property in London.

> Foothills Medical Office Building, LLC (Foothills LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on December 10, 2012, with CUREF as the sole member. Foothills is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of developing, operating, and maintaining a medical office building in Boulder, Colorado. During Fiscal Year 2015, the prospective tenant of the building informed CUREF that it would not move forward with its contemplated occupancy. CUREF has written off costs incurred as a write-off of development costs of $991,000.

Effective May 21, 2015, the Board of Directors of CUREF approved a resolution to develop a memorandum of agreement for the transfer of assets, debts and obligations from CUREF to the University, the CU Foundation, and CUPCO and to begin a process that will result in the CUREF Board of Directors being transitioned to a real estate advisory committee working for the Office of the President of the University. As a part of that transition, a plan to transfer the assets, liabilities and obligations of CUREF to the University or its affiliated entities was approved on December 10, 2015, and various asset transfer agreements that provide the transfer provisions were approved May 3, 2016. During the year ended June 30, 2016, CUREF transferred $1,721,000 to the CU Foundation.

As of September 30, 2016, it is planned that all remaining assets, debts and obligations will be transferred to the University, the CU Foundation, or CUPCO with an anticipated completion by June 30, 2017. CUREF will cease to exist subsequent to these transfers. See Note 20.

Detailed financial information may be obtained directly from CUREF at 1800 Grant Street, Suite 725, Denver, Colorado 80203.

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable, or has primary access to the resources. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationships is included in Note 18.

- University of Colorado Hospital Authority (the Hospital Authority)
- Auraria Higher Education Center (AHEC)
- University of Colorado Health and Welfare Trust (the Trust)

Relationship to State of Colorado

Article VIII, Section 5 of the Colorado Constitution declares the University to be a state institution. The Regents of the University are elected by popular vote of the citizens of the State. Therefore, the Board of the University is entirely different from the governing board of the State. Management of the University is completely separate and distinct from management of the State. The services provided by the University benefit the citizens of the State, rather than serving the State government. The services include provisions of undergraduate and graduate education to the citizens of the State, and conducting extensive amounts of federally and other funded research for the benefit of the citizens of the State, the nation and the world. Additionally, the University offers more than 200 public outreach programs serving Coloradans and their communities. All outstanding debt of the University is expected to be repaid entirely with resources generated by the University. No State funds are used to repay any debt issued by the University.

TAX-EXEMPT STATUS

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2016 and 2015.

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

ACCOUNTING POLICIES

Cash and Cash Equivalents are defined for the purposes of reporting cash flows as cash on hand and deposit accounts. Investments in mutual funds and money market funds and securities are presented as investments. UPI and the CU Foundation consider money market funds and securities with a maturity, when acquired, of three months or less to be cash equivalents.

Investments are reported in the financial statements at fair value, which is determined primarily based on quoted market prices as of June 30, 2016 and 2015. Amortized costs (which approximate fair value) are used for money market investments. These money market accounts are held with Securities and Exchange Commission (SEC) registered investment companies under Rule 2a7 of the Investment Company Act of 1940.

The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third parties that can be used to pay current obligations of the University. Noncurrent investments include investments with a maturity in excess of one year, restricted investments, and those investments designated to be used for long-term obligations.

The University's investment policies permit investments in fixed-income and equity securities and alternative strategies. These policies are implemented using individual securities, mutual funds, commingled funds, and alternative investments for the endowments. All of the University's alternative investments are held at the CU Foundation and follow its valuation methods.

Investments of the CU Foundation include those held as agency funds for the University. The CU Foundation records investment purchases and contributions, at the fair values of the investment assets received at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values. The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices at June 30, 2016 and 2015, respectively. The fair values of alternative investments not publicly traded on national security exchanges represent the CU Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the CU Foundation, or on the basis of other information developed, obtained, and evaluated periodically by the CU Foundation. Because of the inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had ready market for the investments existed. Included in the investments portfolio are real estate and note receivable assets. These assets are booked at cost and present value, respectively.

Endowments and similar gift instruments owned by the University and the CU Foundation are primarily recorded as investments in the accompanying financial statements. Endowment funds are subject to the restrictions of donor gift instruments requiring the principal to be invested in perpetuity. Life income funds are used to account for cash or other property contributed to the University subject to the requirement that the University periodically pay the income earned on such assets to a designated beneficiary. The assets of life income funds become the property of the University or the CU Foundation upon the death of the designated beneficiary. Annuity funds are used to account for property contributed to the University or the CU Foundation in exchange for a promise to pay a fixed amount to the donor for a specified period of time. In addition, certain funds have been established by the Regents to function as endowment funds until the restrictions are lifted by the Regents. Gifts-in-kind are recorded at the fair market value as of the date of donation.

Accounts, Contributions, and Loans Receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses.

Contributions receivable for the CU Foundation are unconditional promises to give that are recorded at their estimated net realizable value, discounted using risk-free interest rates effective at the date of the promise to give, if expected to be collected within one year and at the present value of their expected future cash flows if expected to be collected in more than one year. Subsequent to the initial recording of the contribution receivable, the CU Foundation uses the allowance method to record amounts estimated to be uncollectible. The allowance is based on the historical collectability of contributions promised to the CU Foundation and on management’s analysis of specific promises outstanding.

For all other receivables, individual accounts are written off against the allowance when collection of the account appears doubtful. Bad debts substantially consist of write-offs for uncollectible balances on self-pay patients and contributions receivable.

Inventories are primarily accounted for using the consumption method and are stated at the lower of cost or market. Cost is determined using either first-in, first-out, average cost, or retail method.

Other Assets consists of prepaid expenses, travel advances, patent acquisition costs, and other prepaid items.

Capital Assets are stated at cost at the date of acquisition or at fair value at the date of donation. For equipment, the capitalization policy includes all items with a value of $5,000 or more, and an estimated useful life of greater than one year.

Intangibles (including software) and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and renovations and improvements, the capitalization policy includes items with a value of $75,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method and monthly convention over the estimated useful lives of the assets as displayed in Table 1.1, Asset Useful Lives.

Table 1.1. Asset Useful Lives

Asset Class	Years
Buildings	20 – 40*
Improvements other than buildings	10 – 40
Equipment	3 – 20
Library and other collections	6 – 15
Software	5 – 10
Intangibles	Varies

* Certain buildings are componentized and the components may have useful lives similar to improvements or equipment.

Compensated Absences and Other Postemployment Benefits and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Professional exempt and 12-month faculty employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 960 hours while classified employees earn 6.67 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

Table 1.2. Compensated Absence Accrual Rates for Vacation

Type of Employee	Days Earned Per Month*	Maximum Accrual
Classified employees hired on or after January 1, 1968	1-1.75 days	24 – 42 days
Professional exempt and 12-month faculty employees	1.83 days	44 days**

* Rates are for full-time employees; part-time employees earn at pro-rata based on percentage of appointment.

** Vacation accrual in excess of 44 days, is deducted to meet the 44 day limit.

The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Other postemployment benefits (OPEB) consist of University-provided post-retirement healthcare and life insurance benefits for retired employees in accordance with the Regents' authority, as a single-employer plan. Substantially all University employees may become eligible for those benefits if they reach normal retirement age while working for the University. The University's contributions are made on a pay-as-you-go basis. The University's annual OPEB expense is calculated based on the annual required contribution (ARC) of the University, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed 30 years.

Unearned Revenue consists of amounts received for the provision of education, research, auxiliary goods and services, and royalties that have not yet been earned.

Bonds, Leases, and Notes Payable are debt by borrowing or financing usually for the acquisition of buildings, equipment, or capital construction. Bonds are addressed in Note 9.

Capital leases consist of various lease-purchase contracts and other lease agreements. Such contracts provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes by the Regents. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, are treated as non-cancelable for financial reporting purposes.

Split-interest Agreements are beneficial interests in various agreements, which include gift annuities, charitable remainder annuity trusts and unitrusts, and a pooled income fund. The CU Foundation typically serves as trustee, although certain trusts are administered by outside trustees.

For trusts administered by the CU Foundation, specified earnings are typically paid to a named beneficiary. After termination of the trusts, the assets revert to the CU Foundation to create an endowment to support University activities or to be temporarily restricted for other purposes at the University. Assets received under such agreements are typically marketable equity and fixed-income securities, are recorded at their market value, and are included in investments in the accompanying financial statements. The estimated net present value of the obligation to named beneficiaries is recorded as a liability under split-interest agreements. A risk-free rate, using U.S. Treasury bonds at the date of the gift, is used in conjunction with actuarially determined life expectancies to calculate present values. The fair value of assets received in excess of the obligation is recognized as contribution revenue at the date of the gift. Changes in the value of the investments are combined with the changes in the estimated liability and are recorded in the accompanying financial statements.

In cases where a split-interest agreement is administered by an outside trustee, the CU Foundation records the estimated fair value of future cash flows from the trust as a contribution receivable from charitable remainder trusts at the point at which the CU Foundation becomes aware of its interest in the trust. Under certain circumstances, the CU Foundation accepts and manages trust funds for which the University or the CU Foundation has beneficial interest but is not the sole beneficiary of the trust. Funds received for which the University or the CU Foundation is not the ultimate beneficiary are included as other liabilities in the accompanying financial statements and are not included in contributions revenue.

Custodial Funds consist of funds held by the CU Foundation for endowments legally owned by other entities, including the University.

Alternate Medicare Plan is described in Note 15.

Early Retirement Incentive Plan is described in Note 15.

Other Liabilities are addressed in Note 10 and consist of risk financing, construction contract retainage, funds held for others, and miscellaneous.

Net Position is classified in the accompanying financial statements as follows:

> *Net investment in capital assets* represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent, debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
>
> *Restricted for nonexpendable purposes* consists of endowments and similar instruments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
>
> *Restricted for expendable purposes* represents net resources in which the University or the DPCU is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
>
> *Unrestricted net position* represents net resources derived from student tuition and fees, fee-for-service contracts, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Regents to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Internal Transactions occur between University operating units, including its formal self-funded internal service units and blended component units. Examples of self-funded operating units are telecommunications, cogeneration, and storerooms. Transactions include the recognition of revenues, expenses, receivables, and payables in the appropriate accounts of the operating units. To accommodate external financial reporting, the internal revenues and receivables are netted against expenses and payables, respectively, and are eliminated at year-end.

Classification of Revenues and Expenses in the accompanying financial statements has been made according to the following criteria:

> *Operating revenues* are derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that are exchange transactions. Examples include student tuition and fees, fee-for-service contracts, sales and services of auxiliary enterprises, healthcare and patient services, grants, and contracts. Tuition and fee revenue for sessions that are conducted over two fiscal years are allocated on a pro-rata basis. Operating revenues of the DPCU also include contributions, which are derived from their fundraising mission.
>
> *Other operating revenues* include rental income, charges for services, transcript and diploma fees, other miscellaneous fees, and miscellaneous revenues from UPI.
>
> *Operating expenses* are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University.

Nonoperating revenues and expenses include all revenues and related expenses that do not meet the definition of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions (e.g., gifts, including those from the CU Foundation), from activities defined as such by the GASB cash flow standards (e.g., investment income) and also federal funds allocated to state governments, such as the Pell Grant, and insurance recoveries.

Scholarship Allowances are the difference between the stated charge for the goods and services provided by the University and the amount that is paid by the students or by other third parties making payments on the students' behalf. Tuition and fee revenue and certain other auxiliary enterprise revenues are reported net of scholarship allowance in the accompanying financial statements. Certain grants from external governmental and private programs are recorded as either operating or nonoperating revenues in the accompanying financial statements. To the extent that such grant revenues are used to satisfy tuition and fees and other student charges, the University records scholarship allowances. The student aid line under operating expenses represents the amount of financial aid disbursed to students net of the aid applied to the student's account to pay for tuition and fees.

Health Services Revenue from Contractual Arrangements is recognized by UPI as a result of providing care to patients covered under various third parties such as Medicare and Medicaid, private insurance companies, and managed care programs, primarily from fixed-rate agreements. The federal and state governments annually update fixed-rate agreements for Medicare and Medicaid, respectively. In addition to the standard Medicaid program, UPI provides substantial care to Medicaid patients under the Colorado Access program. Contractual arrangements with insurance companies and managed care plans are negotiated periodically for future years.

Health services revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Net patient services revenue includes care provided to patients who meet certain criteria under UPI's medically indigent care policy as reimbursed with funds provided by the State processed by the Hospital Authority, and co-payments made by care recipients. In accordance with UPI's mission and philosophy, UPI members annually provide substantial levels of charity care to patients who meet certain defined criteria. Charity care relates to services rendered for which no payment is expected.

Donor Restricted Endowment disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the University and the CU Foundation is based on a spending rate set by the CU Foundation board on an annual basis. For the years ended June 30, 2016 and 2015, the authorized spending rate was equal to the greater of 4 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing 36-month average fair market value. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. Earnings authorized to be spent are recognized in the University's financial statements as investment or gift revenue for University or CU Foundation-owned endowments, respectively. As of June 30, 2016 and 2015, there was $13,355,000 and $13,280,000, respectively, in net appreciation of investments available for authorization for expenditure as reported in restricted expendable net position.

Application of Restricted and Unrestricted Resources is made on a case-by-case basis by management depending on overall program resources.

Use of Estimates is made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

Reclassifications of certain prior year balances have been made to conform to the current year's financial statement presentation.

Adoption of New Accounting Standards

The University adopted the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* (Statement No. 72) effective July 1, 2014. Statement No. 72 generally requires investments to be measured at fair value. It also establishes a hierarchy of inputs to valuation techniques used to measure fair value and changes required footnote disclosures. For the University, the adoption of Statement No. 72 had no prior period impact on reported investment balances as the standard altered disclosures only. Investment disclosures for Fiscal Year 2015 have been changed to conform with Fiscal Year 2016 presentation.

Effective July 1, 2014 the University adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended (Statement No. 68). Statement No. 68 requires the University, as a participant of the multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program, to record its proportionate share of PERA's unfunded pension liability. As allowed by Statement No. 68 the University elected to adopt this standard as a cumulative effect in the Fiscal Year 2015. Fiscal Year 2015 reflects the impact of the adoption, which included a one-time decrease to unrestricted net position of $989,588,000 and varied increases to operating expense categories.

NOTE 2 – CASH AND CASH EQUIVALENTS

The University's cash and cash equivalents are detailed in Table 2, Cash and Cash Equivalents.

Table 2. Cash and Cash Equivalents ***(in thousands)***

		2016	2015
University			
Cash on hand (petty cash and change funds)	$	395	362
Deposits with U.S. financial institutions		87,551	102,481
Deposits with foreign financial institutions		59	50
Total Cash and Cash Equivalents – University	**$**	**88,005**	**102,893**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. To manage custodial credit risk, deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. Deposits with foreign financial institutions are not PDPA-eligible deposits and thus are exposed to custodial credit risk and require separate authorization as depositories by the State. During the years ended June 30, 2016 and 2015, all deposits with foreign financial institutions were authorized.

NOTE 3 – INVESTMENTS

The University's investments generally include direct obligations of the U.S. government and its agencies, commercial paper, municipal and corporate bonds, asset-backed securities, mutual and commingled funds, repurchase agreements, corporate equities, negotiable certificates of deposit, and alternative non-equity securities. CU Foundation investments are similar to the University's but also include alternative non-equity securities in hedge funds and commodities. Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages certain of these endowments for the University in accordance with its investment policy.

To the extent permitted, and excluding the University's blended entities, the University pools cash balances for investment purposes. An investment policy statement approved by the Regents directs the Treasurer of the University to meet the following investment objectives:

- liquidity for daily operations,
- protection of the nominal value of assets, and
- generation of distributable earnings at a level commensurate with the time horizon of the investments.

For financial statement purposes, investment income (loss) is reported on a total return basis and is allocated among operational units based on average daily balances, using amortized costs. Average daily balances, based on amortized costs, approximated $1,589,702,000 and $1,535,574,000 for the years ended June 30, 2016 and 2015, respectively. The total return on this pool (excluding blended component units) was -0.16 and 1.85 percent for the years ended June 30, 2016 and 2015, respectively.

FAIR VALUE MEASUREMENTS

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach – This technique uses prices generated for identical or similar assets or liabilities. The most common example is an investment in public security traded in an active exchange such as the New York Stock Exchange.
- Cost approach – The cost approach determines the amount required to replace the current asset and may be ideal for valuing donations of capital assets or historical treasures.
- Income approach – This technique converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs should be maximized in fair value measures, and unobservable inputs should be minimized.

Statement No. 72 establishes a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. Example: ownership in shares of a mutual fund company that is publicly traded.

- Level 2 – Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other-than-quoted prices that are not observable. Example: ownership of a corporate bond that trades on an exchange that is not active.

- Level 3 – Unobservable inputs. Example: ownership in a private hedge fund that does not trade on a public exchange.

The University owns an interest in several Collective Investment Trust Funds. These trust funds own investment assets, but the University owns an interest in the private trust itself rather than an interest in each underlying asset. Therefore, the unit of account is the University's ownership interest in the trust, rather than a percentage in individual assets held by the trust. The assets could be sold at an amount different than the Net Asset Value (NAV) per share (or its equivalent) due to the liquidation policies in each of the respective trusts' agreements with the investors.

The recurring fair value measurements as of June 30, 2016 for the University are included in Table 3.1, Investments.

Table 3.1. Investments *(in thousands)*

Investment Type				**2016**
University	*Level 1*	*Level 2*	*Level 3*	*Total*
U.S. government securities	$ 294,417	53,558	-	347,975
Certificates of deposit	-	1,241	-	1,241
Corporate bonds	135,921	132,237	-	268,158
Corporate equities	9,177	-	-	9,177
Municipal bonds	6,323	14,061		20,384
Mutual funds	376,546	120,369	-	496,915
Asset-backed securities	88,233	71,312	-	159,545
CU Foundation	-	-	325,670	325,670
Alternative non-equity securities:				
Absolute return fund	13	-	-	13
Real estate	-	-	400	400
Other	-	-	43	43
Total:	910,630	392,778	326,113	1,629,521
NAV investments:				
Fixed income trusts				42,400
Equity trusts				288,058
Total:				330,458
Investments not requiring fair value:				
Money market funds				313,507
Repurchase agreements				88,365
Total:				401,872
Total Investments – University				**$ 2,361,851**

The recurring fair value measurements as of June 30, 2015 for the University are included in Table 3.1, Investments.

Table 3.1. Investments *(in thousands)*

Investment Type					**2015**
University		*Level 1*	*Level 2*	*Level 3*	*Total*
U.S. government securities	$	260,878	38,680	-	299,558
Certificates of deposit		-	2,912	-	2,912
Corporate bonds		123,442	106,555	-	229,997
Corporate equities		6,034	-	-	6,034
Municipal bonds		6,668	1,375	-	8,043
Mutual funds		408,794	119,007	-	527,801
Asset-backed securities		89,568	93,784	-	183,352
CU Foundation		-	-	338,217	338,217
Alternative non-equity securities:					
Absolute return fund		17	-	-	17
Real estate		-	-	407	407
Other		-	-	96	96
Total:		895,401	362,313	338,720	1,596,434
NAV investments:					
Fixed income trusts					42,271
Equity trusts					288,410
Total:					330,681
Investments not requiring fair value:					
Money market funds					322,649
Repurchase agreements					218,872
Total:					541,521
Total Investments – University					**$ 2,468,636**

Details of investments by type for the CU Foundation are included in Table 3.2, Investments

Table 3.2. Investments *(in thousands)*

Investment Type		**2016**	**2015**
CU Foundation			
Cash equivalents	$	7,205	11,386
Equity securities:			
Domestic		332,794	336,250
International		355,302	415,007
Fixed-income securities		189,177	162,745
Alternative non-equity securities:			
Real estate		79,428	86,815
Private equity		229,264	232,637
Hedge funds		28,515	57,052
Absolute return funds		136,277	95,403
Venture capital		61,064	60,990
Commodities		31,462	15,000
Other		1,002	1,008
Total Investments – CU Foundation	**$**	**1,451,490**	**1,474,293**

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not in the University’s name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. None of the University’s investments are subject to custodial risk.

CREDIT QUALITY RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The University’s investment policies for the Treasury pool do not permit investments in debt securities that are below investment grade at the time the security is purchased. University policy allows no more than 20 percent of investments to be rated below Baa (Moody’s) or BBB (Standard & Poor’s (S&P) and Fitch) at the time of purchase. There are two other investment policies tailored to non-pooled investments. Those policies do not restrict investments to a particular credit quality standard. Credit quality ratings are not required for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. Government. The CU Foundation does not have a policy concerning credit quality risk. A summary of the University’s debt investments and credit quality risk as of June 30, 2016, and 2015 is shown in Table 3.3, Debt Investments and Credit Quality Risk. The University obtains ratings from both Moody’s and S&P, and primarily reflects the Moody’s ratings in Table 3.3 unless S&P is lower. The ratings reflected are S&P for UPI and the CU Foundation. Table 3.3 is a subset of Table 3.1 and does not include $969,381,000 of non-debt securities and $251,639,000 of debt investments that are backed by the full faith and credit of the U.S. government as of June 30, 2016, and does not include $1,026,209,000 of non-debt securities and $219,586,000 of debt investments that are backed by the full faith and credit of the U.S. government as of June 30, 2015.

Table 3.3. Debt Investments and Credit Quality Risk *(in thousands)*

Investment Type	**2016**				**2015**			
	Unrated		**Rated**		**Unrated**		**Rated**	
		Fair Value	**Fair Value**	**% of Rated Value by Credit Rating**		**Fair Value**	**Fair Value**	**% of Rated Value by Credit Rating**
University								
U.S. government securities	$	27,492	68,846	100% Aa	$	-	92,246	100% Aa
Bond mutual funds		180,517	-	-		174,366	-	
Certificates of deposit		1,241	-	-		2,912	-	-
Corporate bonds		14,162	137,518	63% Aaa/Aa/A		9,816	122,664	65% Aaa/Aa/A
				35% Baa/Ba/B				33% Baa/Ba/B
				1% C				1% C
				1% D				1% D
Money market mutual funds		-	326,283	100% Aaa		-	325,326	100% Aaa
Municipal bonds		4,346	3,554	84% Aaa		4,485	3,560	84% Aaa
				16% A				16% A
Repurchase agreements		88,365	-	-		218,871	-	-
Asset-backed securities		57,846	38,084	73% Aaa		85,049	33,262	52% Aaa
				17% Aa/A				21% Aa/A
				6% Baa/Ba/B				13% Baa/Ba/B
				4% Caa/Ca				14% Caa/Ca
Corporate Bonds - UPI		-	116,478	4% Aaa		-	97,516	49%A
				31% Aa				36% Aa/Aaa
				43% A				15%<A
				22% Bbb				-
Asset-backed securities - UPI		-	63,615	36% Aa		-	52,768	45% Aa
				64% Aaa				55% Aaa
Municipal Securities - UPI		-	12,484	1% A		-	-	-
				50% Aa				
				49% Aaa				
Total Debt Investments - University	**$**	**373,969**	**766,862**		**$**	**495,499**	**727,342**	

INTEREST RATE RISK

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. The University, except for UPI, manages interest rate risk in its investment portfolios by managing the duration, the maximum maturity, or both. University investment policies establish duration and maturity guidelines for each portfolio. The duration method uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. UPI manages interest rate risk using weighted average maturity. Weighted average maturity is a measure of the time to maturity in years that has been weighted to reflect the dollar size of the individual investment within an investment type. The University's investment policy mitigates interest rate risk through the use of maturity limits for each of the investment segment pools.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2016 and 2015 is shown in Table 3.4, Debt Investments and Interest Rate Risk. Table 3.4 is a subset of Table 3.1 and does not include $1,295,718,000 of non-debt securities as of June 30, 2016, and does not include $1,351,589,000 of non-debt securities as of June 30, 2015. The main difference in the amount of non-debt securities excluded in Table 3.3 and Table 3.4 is that money-market mutual funds are included in Table 3.3 as they have credit risk but they are excluded from Table 3.4, as they do not have interest rate risk. Also, U.S. backed securities are not subject to credit risks but are subject to interest rate risks and are included here but not in the credit quality risk section.

The University has investments in asset-backed securities, which consist mainly of mortgages, home equity loans, student loans, automobile loans, equipment trusts, and credit card receivables. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security has repayments that are expected to significantly vary with interest rate changes. The variance may present itself in terms of variable repayment amounts and uncertain early or extended repayments.

Table 3.4. Debt Investments and Interest Rate Risk ***(in thousands and years)***

Investment Type	**2016**		**2015**	
University	**Amount**	**Duration**	**Amount**	**Duration**
U.S. government securities	$ 276,803	4.4	$ 250,759	5.1
Bond mutual funds	180,517	2.3	174,366	2.7
Certificates of deposit	1,241	4.0	2,912	3.1
Corporate bonds	151,680	7.8	132,480	7.8
Municipal bonds	7,900	7.5	8,044	7.3
Repurchase agreements	88,365	2.5	218,872	1.4
Asset-backed securities:				
Fixed-rate securities	74,699	-	90,602	-
Variable-rate securities	21,231	-	24,034	-
Collateralized mortgage obligations	-	-	3,675	-
Total asset-backed securities	95,930	14.46	118,311	14.57
	Amount	**Weighted Average Maturity**	**Amount**	**Weighted Average Maturity**
U.S. government securities - UPI	$ 71,120	5.48	$ 61,019	4.76
Commercial paper - UPI	-	-	-	-
Corporate bonds - UPI	116,478	5.19	97,516	3.15
Asset-backed securities - UPI	63,615	3.54	52,768	3.57
Municipal securities - UPI	12,484	4.90	-	-
Total Debt Investments - University	**$ 1,066,133**		**1,117,047**	

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to magnitude of an entity's investment in a single issuer other than the federal government. The University's policy is that exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, or government-sponsored corporations, shall not exceed 10 percent of the market value of the fixed income portfolio. The University had no investments exceeding 5 percent and is therefore not subject to concentration of credit risk.

SPLIT-INTEREST AGREEMENTS

Assets held by the CU Foundation under split-interest agreements are included in investments and consisted of the following as of June 30, 2016 and 2015, as shown in Table 3.5, CU Foundation Investments Held under Split-interest Agreements.

Table 3.5. CU Foundation Investments Held under Split-interest Agreements ***(in thousands)***

Type		2016	2015
Charitable remainder trusts	$	34,325	40,192
Charitable gift annuities and pooled income funds		3,176	3,927
Total Investments Held under Split-interest Agreements	**$**	**37,501**	**44,119**

NOTE 4 – ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2016 and 2015, by type.

Table 4.1. Accounts, Contributions, and Loans Receivable ***(in thousands)***

	2016			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University				
Student accounts	$ 66,540	23,448	43,092	43,090
Federal government	79,333	-	79,333	79,333
Other governments	69,570	-	69,570	69,570
Private sponsors	52,175	-	52,175	49,913
Patient accounts	96,182	6,363	89,819	89,819
CU Foundation	8,966	-	8,966	8,966
Interest	2,553	-	2,553	2,553
Direct financing lease	19,519	-	19,519	750
PAC-12 distribution	3,504	-	3,504	3,504
Other	23,888	1,509	22,379	22,378
Total accounts receivable	422,230	31,320	390,910	369,876
Loans	71,357	2,872	68,485	28,512
Total Receivable – University	**$ 493,587**	**34,192**	**459,395**	**398,388**

	2015			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University				
Student accounts	$ 63,963	23,872	40,091	39,895
Federal government	51,549	-	51,549	51,549
Other governments	35,564	-	35,564	35,564
Private sponsors	41,899	-	41,899	41,899
Patient accounts	85,454	7,277	78,177	78,177
CU Foundation	6,221	-	6,221	6,221
Interest	2,595	-	2,595	2,595
Direct financing lease	19,778	-	19,778	489
PAC-12 distribution	3,568	-	3,568	3,568
Other	26,964	1,722	25,242	23,577
Total accounts receivable	337,555	32,871	304,684	283,534
Loans	58,881	3,056	55,825	6,607
Total Receivable – University	**$ 396,436**	**35,927**	**360,509**	**290,141**

CONCENTRATION OF CREDIT RISK – PATIENT ACCOUNTS

UPI grants credit without collateral to its patients. The mix of gross receivables from patients and third-party payers as of June 30, 2016 and 2015 is detailed in Table 4.2, UPI Concentration of Credit Risk.

Table 4.2. UPI Concentration of Credit Risk

Category	2016	2015
Managed care	56.1 %	52.2 %
Medicare	16.0	15.4
Medicaid	16.1	19.3
Other third-party payers	7.5	7.6
Self-pay	4.3	5.5
Total	**100.0 %**	**100.0 %**

NOTE 5 – CAPITAL ASSETS

Table 5, Capital Assets, presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2016 and 2015.

Interest expense related to capital asset debt incurred by the University during the years ended June 30, 2016 and 2015 approximated $68,862,000 and $69,845,000, respectively. Of this amount, approximately $13,802,000 and $18,913,000, respectively, was capitalized as part of the value of construction in progress.

The University had insurance recoveries of $4,031,000 and $4,290,000 in the years ended June 30, 2016 and 2015, respectively, which are included in nonoperating revenues.

Table 5. Capital Assets *(in thousands)*

Category	2015	Additions	Retirements	Transfers	2016
University					
Nondepreciable capital assets					
Land	$ 65,266	107	-	1	65,374
Construction in progress	534,173	277,799	10,303	(526,899)	274,770
Collections	17,173	108	-	-	17,281
Total nondepreciable capital assets	616,612	278,014	10,303	(526,898)	357,425
Depreciable capital assets					
Buildings	3,294,116	3,023	4,261	473,827	3,766,705
Improvements other than buildings	202,631	4,738	113	44,707	251,963
Equipment	494,899	43,676	37,130	2,609	504,054
Software	83,867	1,232	52	5,755	90,802
Other intangibles	1,910	-	-	-	1,910
Library and other collections	361,353	18,781	979	-	379,155
Total depreciable capital assets	4,438,776	71,450	42,535	526,898	4,994,589
Less accumulated depreciation					
Buildings	1,043,687	114,316	(299)*	-	1,158,302
Improvements other than buildings	107,184	9,630	46	-	116,768
Equipment	368,720	38,660	35,961	-	371,419
Software	73,842	3,026	52	-	76,816
Other intangibles	248	76	-	-	324
Library and other collections	255,023	15,483	712	-	269,794
Total accumulated depreciation	1,848,704	181,191	36,472	-	1,993,423
Net depreciable capital assets	2,590,072	(109,741)	6,063	526,898	3,001,166
Total Net Capital Assets – University	**$ 3,206,684**	**168,273**	**16,366**	**-**	**3,358,591**

***Adjustment to buildings when asset was retired.**

Table 5. (continued) Capital Assets *(in thousands)*

Category	**2014**	**Additions**	**Retirements**	**Transfers**	**2015**
University					
Nondepreciable capital assets					
Land	$ 58,565	6,290	35	446	65,266
Construction in progress	266,229	409,208	3,597	(137,667)	534,173
Collections	16,419	781	27	-	17,173
Total nondepreciable capital assets	341,213	416,279	3,659	(137,221)	616,612
Depreciable capital assets					
Buildings	3,306,145	41,515	171,331	117,787	3,294,116
Improvements other than buildings	190,587	146	4,558	16,456	202,631
Equipment	466,679	43,175	17,933	2,978	494,899
Software	80,837	3,031	1	-	83,867
Other intangibles	1,910	-	-	-	1,910
Library and other collections	345,375	17,657	1,679	-	361,353
Total depreciable capital assets	4,391,533	105,524	195,502	137,221	4,438,776
Less accumulated depreciation					
Buildings	1,095,902	106,536	158,751	-	1,043,687
Improvements other than buildings	103,416	8,316	4,548	-	107,184
Equipment	345,782	38,961	16,023	-	368,720
Software	62,459	11,384	1	-	73,842
Other intangibles	171	77	-	-	248
Library and other collections	240,100	15,569	646	-	255,023
Total accumulated depreciation	1,847,830	180,843	179,969	-	1,848,704
Net depreciable capital assets	2,543,703	(75,319)	15,533	137,221	2,590,072
Total Net Capital Assets – University	**$ 2,884,916**	**340,960**	**19,192**	**-**	**3,206,684**

NOTE 6 – ACCRUED EXPENSES

Table 6, Accrued Expenses, details the accrued expenses as of June 30, 2016 and 2015 by type.

Table 6. Accrued Expenses *(in thousands)*

Type	**2016**	**2015**
University		
Accrued salaries and benefits	$ 237,806	223,344
Accrued interest payable	4,194	4,405
Other accrued expenses	1,474	1,149
Total Accrued Expenses – University	**$ 243,474**	**228,898**

NOTE 7 – COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS

Table 7.1, Compensated Absences, and Table 7.2, Other Postemployment Benefits, present changes in compensated absences and postemployment benefits other than pension benefits for the years ended June 30, 2016 and 2015.

Table 7.1 Compensated Absences (*in thousands*)

		2016	2015
University			
Beginning of year	$	182,404	166,505
Additions		159,782	146,693
Reductions		(138,158)	(130,794)
End of year	**$**	**204,028**	**182,404**
Current compensated absences		14,691	13,516

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2016 and 2015, approximately 4,900 and 4,700 retirees, respectively, met the eligibility requirements and are receiving benefits under the University-administered single-employer postemployment benefit (non-pension) program. This program was established by the Regents who have the authority to amend the program provisions. Under this program, the University subsidizes a portion of healthcare and life insurance premiums on a pay-as-you-go basis. This program does not issue a separate financial report.

Table 7.2 Other Postemployment Benefits (*in thousands*)

		2016	2015
University			
Annual required contribution (ARC)	$	65,667	65,667
Interest on net obligation		10,880	8,801
Adjustment to ARC		(14,843)	(12,007)
Annual OPEB expense		61,704	62,461
Estimated benefit payments		(14,350)	(16,269)
Increase in OPEB		47,354	46,192
Beginning of year		241,779	195,587
End of year	**$**	**289,133**	**241,779**

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the plan was 0 percent funded, and the actuarial accrued liability for benefits was $523,409,000. The actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $523,409,000. For the year ended June 30, 2016, the covered payroll (annual payroll of active employees covered by the program) was $1,336,248,000 and the ratio of the UAAL to the covered payroll was 39.17 percent.

For the years ended June 30, 2016, 2015 and 2014, the annual OPEB cost was $61,704,000, $62,461,000, and $46,842,000, respectively. The University contributed $14,350,000, $16,269,000, and $12,529,000, respectively, which was 23 percent, 22 percent, and 27 percent, respectively, of the annual OPEB cost. The net OPEB obligation was $289,133,000, $241,779,000, and $195,587,000, respectively.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the program members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method is used. The discount rate used in the valuation is 4.5 percent based on the University's expected long-term rate of return. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research suggests a 5.5 percent long-term average increase for all healthcare benefits, trending down to an ultimate 5 percent increase for 2024 and later years. It was assumed that all members would be entitled to the maximum life insurance benefit amount; therefore, no salary increase rate is assumed. The UAAL is being amortized as a level dollar on an open basis over a period of 30 years.

PERA HEALTH CARE TRUST FUND

The University contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The total PERA-defined payroll of employees covered by this plan was approximately \$299,112,000 and \$295,357,000 for the years ended June 30, 2016 and 2015, respectively. The University contributed a total of 19.57 percent and 18.62 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 7.3, University Contributions to PERA. These contributions met the contribution requirement for each year.

As of June 30, 2016 and 2015, the University recorded an accounts payable to PERA of \$6,914,000 and \$6,364,000, respectively, which represents the amount due for the June 30, 2016 and 2015 payroll, respectively.

Table 7.3 University Contributions to PERA *(in thousands)*

Program	**Basis**		**2016**	**2015**	**2014**
Health Care Trust Fund	1.02% after July 1, 2004	$	3,051	3,013	2,947
Defined Benefit Plan	The balance remaining		55,479	51,994	47,751
Total University Contribution		**$**	**58,530**	**55,007**	**50,698**

NOTE 8 – UNEARNED REVENUE

As of June 30, 2016 and 2015, the types and amounts of unearned revenue are shown in Table 8, unearned revenue.

Table 8. Unearned Revenue *(in thousands)*

Type	2016 Total	2016 Current Portion	2015 Total	2015 Current Portion
University				
Tuition and fees	$ 29,482	29,482	31,589	31,589
Auxiliary enterprises	18,777	18,750	17,632	17,604
Grants and contracts	100,366	100,366	85,696	85,696
Miscellaneous	20,882	11,012	18,765	8,322
Total Unearned Revenue – University	**$ 169,507**	**159,610**	**153,682**	**143,211**

NOTE 9 – BONDS AND CAPITAL LEASES

As of June 30, 2016 and 2015, the categories of long-term obligations are summarized in Table 9.1, Bonds and Capital Leases.

Table 9.1. Bonds and Capital Leases *(in thousands)*

Type	Interest Rates	Final Maturity	2016	2015
University				
Enterprise system revenue bonds (including premium of $138,021 in 2016 and $139,421 in 2015)	0.76-6.26%	6/1/47	$ 1,665,811	1,679,786
UPI fixed-rate bonds	2.30%	11/1/24	9,833	11,009
Total revenue bonds			1,675,644	1,690,795
Capital leases	0.44%-5.00%	Various	15,402	16,835
Total Bonds and Capital Leases – University			**$ 1,691,046**	**1,707,630**

Table 9.2, Changes in Bonds and Capital Leases, presents changes in bonds and capital leases for the years ended June 30, 2016 and 2015.

Table 9.2. Changes in Bonds and Capital Leases *(in thousands)*

Type	Balance 2015	Additions	Retirements	Balance 2016	Current Portion
University					
Revenue bonds	$ 1,551,374	188,240	201,991	1,537,623	61,646
Plus unamortized premiums	139,421	22,960	24,360	138,021	13,231
Net revenue bonds	1,690,795	211,200	226,351	1,675,644	74,877
Capital leases	16,835	1,482	2,915	15,402	2,364
Total Bonds and Capital Leases – University	**$ 1,707,630**	**212,682**	**229,266**	**1,691,046**	**77,241**

Table 9.2. (continued) Changes in Bonds and Capital Leases *(in thousands)*

Type		Balance 2014	Additions	Retirements	Balance 2015	Current Portion
University						
Revenue bonds	$	1,396,750	493,320	338,696	1,551,374	56,231
Plus unamortized premiums		96,529	61,308	18,416	139,421	13,444
Net revenue bonds		1,493,279	554,628	357,112	1,690,795	69,675
Capital leases		15,618	4,064	2,847	16,835	2,405
Total Bonds and Capital Leases – University	**$**	**1,508,897**	**558,692**	**359,959**	**1,707,630**	**72,080**

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2016 and 2015 is detailed in Table 9.3, Revenue Bonds Detail.

Table 9.3. Revenue Bonds Detail *(in thousands)*

Issuance Description		Original Issuance At Par	Outstanding Balance 2016	Outstanding Balance 2015
University				
Enterprise system revenue bonds:				
Series 2006A -				
Used to fund capital improvements at CU Boulder, UCCS, and CU Denver	$	101,425	-	3,365
Refunding Series 2007A -				
Used to refund all of the revenue bond Refunding Series 1999A and Certificates of Participation Series 2003A and 2003B and a portion of revenue bond Refunding Series 1995A, Refunding and Improvement Series 2001B, Series 2002A, and 2002B		184,180	79,928	86,508
Series 2007B -				
Used to fund acquisition and capital improvements at CU Boulder		63,875	2,104	4,146
Series 2009A -				
Used to fund acquisition and capital improvements at CU Boulder, UCCS and CU Denver		165,635	14,878	19,478
Series 2009B-1 -				
Used to fund capital improvements at CU Boulder and CU Anschutz		76,725	13,956	22,695
Series 2009B-2 -				
Used to fund capital improvements at CU Boulder and CU Anschutz		138,130	138,130	138,130
Series 2009C -				
Used to refund Enterprise System Refund Series 1997, Enterprise System Revenue Refund Bonds Series 2001A for years 2012 through 2026, and Enterprise System Revenue Bonds Series 2002A for years 2014 through 2018		24,510	11,775	16,242
Series 2010A -				
Used to fund acquisition and capital improvements at CU Anschutz		35,510	29,070	30,360
Series 2010B -				
Used to refund Enterprise System Revenue Bonds Series 2002A and Enterprise System Revenue Bonds Series 2003A		56,905	33,688	39,528
Series 2010C -				
Used to fund capital improvements at CU Anschutz		4,375	3,255	3,495

Table 9.3. (continued) Revenue Bonds Detail ***(in thousands)***

Issuance Description	Original Issuance At Par	Outstanding Balance 2016	Outstanding Balance 2015
Series 2011A -			
Used to fund capital improvements at CU Boulder and UCCS	$ 203,425	48,331	210,795
Series 2011B -			
Used to partially refund Enterprise System Revenue Bonds Series 2002B, 2003A, 2004, and 2005A	52,600	52,647	53,719
Series 2012A-1 -			
Used to partially refund Enterprise System Revenue Bonds Series 2003A, 2004, 2005A, 2005B, 2006A, and 2007B	121,850	135,516	138,735
Series 2012A-2 -			
Used to partially refund Enterprise System Revenue Bonds Series 2004, 2005A,	53,000	57,711	58,262
Series 2012A-3 -			
Used to partially refund Enterprise System Revenue Bonds Series 2005A, 2005B, 2006A, and 2007B	47,165	43,070	51,144
Series 2012B -			
Used to fund capital improvements at CU Boulder, CU Denver and UCCS	95,705	103,285	105,800
Series 2013A -			
Used to fund capital improvements at CU Boulder, CU Anschutz and UCCS	142,460	146,826	149,672
Series 2013B -			
Used to fund capital improvements at CU Anschutz	11,245	11,015	11,245
Series 2014A -			
Used to fund capital improvements at CU Boulder	203,485	233,557	235,742
Series 2014B-1 -			
Used to partially refund Enterprise System Revenue Bond Series 2005B, 2006A, 2007B and 2009A.	100,440	108,631	110,016
Series 2015A -			
Used to partially refund Enterprise System Revenue Bonds Series 2006A, 2007B, and 2009.	102,450	114,720	116,135
Series 2015B -			
Used to partially refund Enterprise System Revenue Bonds Series 2005A	3,925	3,497	4,279
Series 2015C -			
Used to partially refund Enterprise System Revenue Bonds Series 2007A	71,325	69,020	70,295
Series 2016A -			
Used to fund capital improvements at CU Denver and UCCS	31,430	37,703	-
Series 2016B-1 -			
Used to partially refund Enterprise System Revenue Bonds Series 2011A	156,810	173,498	-
Total enterprise system revenue bonds	2,248,585	1,665,811	1,679,786
Series 2014 - UPI Fixed Rate Bonds -			
Used to fund capital improvements at UPI	20,500	9,833	11,009
Total revenue bonds		1,675,644	1,690,795
Less premium		138,021	139,421
Total Outstanding Revenue Bond Principal - University		$ 1,537,623	1,551,374

The University's revenue bonds are payable semiannually, have serial and term maturities, and contain optional redemption provisions. The optional redemption provisions allow the University to redeem, at various dates, portions of the outstanding revenue bonds at prices varying from 100 to 101 percent of the principal amount of the revenue bonds redeemed.

The Enterprise System Revenue Bonds are secured by a pledge of all net revenues of auxiliary services, student fees, other self-funded services, and research services, in addition to 100 percent of the University's tuition, 100 percent of the University's capital student fees, and 100 percent of the University's indirect cost recoveries. During the year ended June 30, 2015, 10 percent of the University's tuition was pledged in addition to the other revenue sources. All University revenue bonds are special limited obligations of the Regents and are payable solely from the pledged revenues (or the net income of the facilities as defined in the bond resolution). The revenue bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents.

The University's bonds are payable through June 1, 2047. During the years ended June 30, 2016 and 2015, the total principal and interest paid on the University's bonds was $127,784,000 and $125,695,000, respectively, which is 12 percent and 38 percent of the total net pledged revenues of $1,064,815,000 and $330,208,000, respectively. Net pledged revenues are 35 percent and 12 percent of the total specific revenue streams, respectively.

On June 2, 2016, the University issued $31,430,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2016A and $156,810,000 of Tax-Exempt University Enterprise Refunding Revenue Bonds, Series 2016B-1. The proceeds were used to defray a portion of the cost of financing certain capital improvement projects, financing the payment and discharge of all or a portion of certain outstanding obligations of the Board and paying certain costs relating to the issuance of the Series 2016 Bonds. The refunding of the Series 2016B-1 resulted in an economic gain of $13,445,000 and accounting loss of $15,802,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $17,990,000. Series 2016A has an interest rate ranging from 1.50 percent to 5.00 percent, and the bonds mature through June 1, 2027. Series 2016B-1 has rates ranging from 2 percent to 5 percent, and the bonds mature through June 1, 2027.

The University's revenue bonds contain provisions to establish and maintain reasonable fees, rates, and other charges to ensure gross revenues are sufficient for debt service coverage. The University is also required to comply with various other covenants while the bonds are outstanding. These covenants, among other things, restrict the disposition of certain assets, require the Regents to maintain adequate insurance, and require the Regents to continue to operate the underlying programs. Management believes the University has met all debt service coverage ratios and has complied with all bond covenants.

In December 2002, UPI entered into a loan agreement with the Fitzsimons Redevelopment Authority to issue variable-rate bonds, Series 2002, in the amount of $20,500,000. Proceeds from the sale of these bonds were used to fund the development, construction, and equipping of UPI's administrative office building. In October 2014, UPI refinanced its variable-rate debt with a fixed-rate bank-direct purchase obligation. The borrowing, funded by US Bank, included a $3,500,000 reduction in principal to a net amount outstanding at the time of the refinance of $11,695,000. The obligation is amortizable over 10 years and carries a fixed rate of 2.3 percent. UPI management believes it is in compliance with its debt service requirements and financial covenants.

Future minimum payments for revenue bonds are detailed in Table 9.4, Revenue Bonds Future Minimum Payments.

Table 9.4. Revenue Bonds Future Minimum Payments *(in thousands)*

	University			
Years Ending June 30		**Principal**	**Interest**	**Total**
2017	$	61,646	70,709	132,355
2018		64,251	68,125	132,376
2019		67,356	65,351	132,707
2020		68,049	62,286	130,335
2021		71,539	59,560	131,099
2022 – 2026		372,962	249,381	622,343
2027 – 2031		326,290	165,300	491,590
2032 – 2036		280,685	91,697	372,382
2037 – 2041		159,975	36,637	196,612
2042 – 2046		63,065	7,620	70,685
2047		1,805	90	1,895
Total	**$**	**1,537,623**	**876,756**	**2,414,379**

EXTINGUISHMENT OF DEBT

Previous revenue bond issues considered to be extinguished through in-substance defeasance under GAAP, are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to approximately $380,475,000 and $312,505,000 as of June 30, 2016 and 2015, respectively. As of June 30, 2016, the amount of debt defeased totaled $145,760,000, and escrow agent payments were $77,790,000. As of June 30, 2015, the amount of debt defeased totaled $267,145,000, and escrow agent payments were $188,640,000.

CAPITAL LEASES

The University's capital leases are primarily for equipment. The University also has a capital lease with a related party. During the year ended June 30, 2009, CU Denver entered into a $10,272,000 site lease agreement with AHEC associated with the build-out of educational space for CU Denver. As of June 30, 2016 and 2015, the University paid base rent to AHEC of approximately $838,000 annually for each year. Amortization expense is included in depreciation expense.

As of June 30, 2016 and 2015, the University had an outstanding liability for all its capital leases approximating $15,402,000 and $16,835,000, respectively, with underlying gross capitalized asset cost approximating $26,479,000 and $26,615,000, respectively, with accumulated amortization of $10,189,000 and $10,233,000 respectively, resulting in underlying net capitalized assets of $16,290,000 and $16,382,000, respectively.

Future minimum payments for all the University's capital lease obligations are detailed in Table 9.5, Capital Leases.

Table 9.5. Capital Leases *(in thousands)*

	University		
Years Ending June 30	**Principal**	**Interest**	**Total**
2017	$ 2,364	662	3,026
2018	2,052	584	2,636
2019	1,912	515	2,427
2020	1,723	449	2,172
2021	960	381	1,341
2022 - 2026	4,543	1,196	5,739
2027 - 2031	1,848	100	1,948
Total	**$ 15,402**	**3,887**	**19,289**

STATE OF COLORADO CERTIFICATES OF PARTICIPATION

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008, with a par value of $230,845,000, at a net premium of $181,000. The certificates have interest rates ranging from 3.0 to 5.5 percent and mature in November 2027. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds were used to fund various capital projects for the benefit of certain State-supported institutions of higher education in Colorado, including UCCS and CU Boulder. The underlying capitalized assets are contributed to the University from the State. As of June 30, 2016, the University had underlying gross capitalized assets at UCCS costing approximately $17,735,000 with accumulated amortization of $4,582,000 resulting in an underlying net capitalized asset of $13,153,000. As of June 30, 2016, the University had underlying gross capitalized assets at CU Boulder costing approximately $796,000, with accumulated amortization of $79,000 resulting in an underlying net capitalized asset of $717,000. As of June 30, 2016, the University had underlying gross capitalized assets at CU Anschutz costing approximately $188,801,000, with accumulated amortization of $41,527,000 resulting in an underlying net capitalized asset of $147,274,000.

NOTE 10 – OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2016 and 2015.

Table 10.1. Other Liabilities *(in thousands)*

		2016		2015	
Type		**Total**	**Current Portion**	**Total**	**Current Portion**
University					
Risk financing	$	29,862	14,904	25,155	12,421
Construction contract retainage		19,821	19,821	17,878	17,878
Funds held for others		16,757	16,757	17,026	17,025
Miscellaneous		3,898	1,336	3,779	1,070
Total Other Liabilities – University	**$**	**70,338**	**52,818**	**63,838**	**48,394**

RISK FINANCING-RELATED LIABILITIES

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; medical malpractice; employee occupational injuries; graduate medical students' health; and natural disasters. The University finances these risks through various self-insurance programs. The University finances the cost and risks associated with employee health benefit programs through the Trust, a related organization as discussed in Note 18 to the financial statements. Under the terms of the Trust, the University is self-insured for medical claims beginning July 1, 2010. However, the risk of loss has been transferred to the Trust. Therefore, no liability was reported as of June 30, 2016 or 2015 for unpaid claims.

The University utilizes a protected self-insurance program for its property, liability, and workers' compensation risks. The University has established a separate self-insurance program for the purpose of providing professional liability coverage for the CU Denver | Anschutz Medical Campus and the Hospital Authority. A separate self-insurance program has also been established to provide health insurance for graduate medical students and eligible dependents at CU Anschutz.

All self-insurance programs, other than employee health benefit programs, assume losses up to certain limits and purchase a defined amount of excess insurance for losses over those limits. These limits range from $350,000 to $1,500,000 per occurrence.

Reserves for unpaid claims under these programs are actuarially reviewed and evaluated for adequacy each year. The Property, General Liability, and Workers' Compensation reserve is reported on an undiscounted basis, and the CU Denver | Anschutz Medical Campus Professional Liability reserve of $11,469,000 is reported at a discount basis using 4 percent. Settlements have not exceeded coverages for each of the past three fiscal years. There were no significant reductions or changes in insurance coverage from the prior year.

The amount recorded as risk financing-related liabilities represents reserves based upon the annual actuarial valuation and includes reserves for incurred but not reported claims. Such liabilities depend on many factors, including claims history, inflation, damage awards, investment return, and changes in legal doctrine. Accordingly, computation of the claims liabilities requires an annual estimation process. Claims liabilities are reevaluated on a periodic basis and take into consideration recently settled claims, frequency of claims, and other relevant factors.

Changes in the balances of risk financing-related liabilities for the years ended June 30, 2016 and 2015 are presented in Table 10.2, Risk Financing-related Liabilities.

Table 10.2. Risk Financing-related Liabilities ***(in thousands)***

		Property, General Liability, and Workers' Compensation	Professional Liability	Graduate Medical Student Health Benefits	Total
University					
Balance as of June 30, 2014	**$**	**14,445**	**7,139**	**1,710**	**23,294**
Fiscal Year 2015:					
Claims and changes in estimates		8,684	4,060	7,644	20,388
Claim payments		(9,271)	(1,701)	(7,555)	(18,527)
Balance as of June 30, 2015	**$**	**13,858**	**9,498**	**1,799**	**25,155**
Fiscal Year 2016:					
Claims and changes in estimates		10,180	2,883	7,233	20,296
Claim payments		(7,311)	(912)	(7,366)	(15,589)
Balance as of June 30, 2016	**$**	**16,727**	**11,469**	**1,666**	**29,862**

DIRECT LENDING

The University participates in two student lending programs operated by the federal government, Direct Student Loan and the State School as Lender. These programs enable eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the University rather than through a private lender. The University is responsible for handling the complete loan process, including funds management as well as promissory note functions.

For the Direct Lending program, the University is not responsible for collection of these loans or for defaults by borrowers; therefore, these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2016 and 2015 was $371,437,000 and $371,511,000, respectively.

NOTE 11 - UNRESTRICTED NET POSITION

Unrestricted Net Position is one component of the University's financial statements, which represents the net position held by the collective units of the University as of June 30. Balances fluctuate throughout the year and are reported as of a point-in-time. The University designates unrestricted net position by their intended purpose. Unobligated funds are generally available for campus use or support of schools, colleges, departments, or units. These funds are generated by nonrecurring revenue surpluses (such as departmental share unspent indirect cost recoveries) or year-end balances resulting from lower than expected spending levels (such as vacancy savings from an unfilled position). Campus leadership holds these funds in general categories based on internal policy or intended use. Their designation may change in accordance with directives from leadership, including Regent directives. Obligated Funds are unrestricted net position that are obligated to specific projects or are held for contractual payments (such as faculty start-up).

University policy requires each campus provide the Regents prior to December 31 a detailed report on designated net position. This report enhances clarity and frequency of internal communications and provides context for Regent decisions on key budget items. These reports are available on the Regents' website.

NOTE 12 – SPENDING LIMITATIONS

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State, including the University. During the year ended June 30, 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the C.R.S. that an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenues in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In July 2005, the Regents designated the University as a TABOR enterprise pursuant to the statute. During the years ended June 30, 2016 and 2015, the University believes it has met all requirements of TABOR enterprise status. Specifically, the Regents retain the authority to issue revenue bonds and the amount of State grants received by the University was 1.40 percent and 1.31 percent during the years ended June 30, 2016 and 2015, respectively, as shown in Table 12, TABOR Enterprise State Support Calculation.

Table 12. TABOR Enterprise State Support Calculation ***(in thousands)***

		2016	2015
University			
Capital appropriations	$	24,860	18,193
Tobacco Litigation Settlement Appropriation		12,429	13,008
State COP annual debt service payments for CU Anschutz		14,290	14,089
State COP annual debt service payments for UCCS		1,480	1,548
State COP annual debt service payments for CU Boulder		31	33
Total State Support	**$**	**53,090**	**46,871**
Total TABOR enterprise revenues	$	3,797,784	3,566,852
Ratio of State support to total revenues		1.40%	1.31%

A portion of the University is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. For the years ended June 30, 2016 and 2015, the University's appropriated funds included $63,181,000 and $62,353,000, respectively, received for students that qualified for stipends from the College Opportunity Fund (COF) and $121,440,000, and $104,745,000, respectively, as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill. For the years ended June 30, 2016 and 2015, expenses were within the appropriated spending authority.

Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, in addition to the student-paid portion of tuition, certain fees, and certain other revenue sources. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill.

NOTE 13 – SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2016 and 2015, scholarship allowances were provided by the following funding sources in amounts detailed in Table 13, Scholarship Allowances.

Table 13. Scholarship Allowances *(in thousands)*

For years ended June 30	2016			2015		
Funding Source Description	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**
University						
University general resources	$ 80,309	2,026	82,335	70,286	1,758	72,044
University auxiliary resources	10,766	345	11,111	10,209	296	10,505
Colorado Commission on Higher Education financial aid program	21,686	255	21,941	18,817	244	19,061
Federal programs, including Federal Pell grants	53,302	930	54,232	51,953	925	52,878
Other State of Colorado programs	74	2	76	82	2	84
Private programs	297	1	298	248	1	249
Gift fund	16,914	343	17,257	17,289	353	17,642
Total Scholarship Allowances - University	**$ 183,348**	**3,902**	**187,250**	**168,884**	**3,579**	**172,463**

NOTE 14 – HEALTH SERVICES REVENUE

Health services revenue of $781,257,000 and $707,198,000 is recorded net of contractual adjustments approximating $1,102,249,000 and $1,015,132,000 and bad debt expense on uncollectible patient account receivables approximating $30,463,000 and $34,520,000 from UPI and $159,000 and $237,000 from various departments at CU Anschutz for the years ended June 30, 2016 and 2015, respectively. Charity care provided during the years ended June 30, 2016 and 2015, based on estimated service costs of providing charity care, totaled approximately $7,155,000 and $7,349,000, respectively.

NOTE 15 – RETIREMENT PLANS AND INSURANCE PROGRAMS

Employees of the University eligible for retirement benefits participate in one of four retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. The student retirement plan is a defined contribution plan administered by a consortium of higher educational institutions in the State. All other eligible employees of the University participate in one of the three additional plans, PERA plan, the University’s optional retirement plan, and UPI’s retirement plan. The CU Foundation and CUREF offer a retirement plan for certain employees.

PERA DEFINED BENEFIT PENSION PLAN

The University participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by PERA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting.

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.

Eligible employees of the University are provided with pensions through the SDTF. Plan benefits are specified in Title 24, Article 51 of the C.R.S., administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

The University of Colorado has both classified and non-classified employees. All classified employees participate in PERA. Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, the University's employees, except classified employees, are required to participate in their institution's optional plan, if available, and social security unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or their institution's optional plan.

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Eligible employees and the University are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in Table 15.1, Employer Contribution Requirements.

Table 15.1 Employer Contribution Requirements

	Fiscal Year 2015		**Fiscal Year 2016**	
	CY14	**CY15**		**CY16**
	7-1-14 to 12-31-14	**1-1-15 to 6-30-15**	**7-1-15 to 12-31-15**	**1-1-16 to 6-30-16**
Employer Contribution Rate[1]	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)[1]	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF[1]	16.43%	17.33%	17.33%	18.23%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $55,479,000 for the year ended June 30, 2016 and $51,994,000 for the year ended June 30, 2015.

As of June 30, 2016 and 2015, the University reported a liability of $1,175,591,000 and $1,060,337,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2015 and 2014 relative to the total contributions of participating employers to the SDTF. At December 31, 2015 and 2014, the University's proportion was 11.16 percent and 11.27 percent, respectively, which was a decrease of 11 basis points.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $103,125,000 and $82,480,000, respectively. Table 15.2 details the sources of the University's deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2016.

Table 15.2. Deferred Inflows and Deferred Outflows of Resources Related to Pension ***(in thousands)***

	2016		2015	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 17,119	36	-	79
Change of assumptions or other inputs	-	13,916	-	-
Net difference between projected and actual earnings on pension plan investments	88,580	-	21,620	-
Changes in proportionate share of contributions	-	9,878	-	7,238
Contributions subsequent to the measurement date	29,850	-	27,674	-
Total	**$ 135,549**	**23,830**	**49,294**	**7,317**

The $29,850,000 reported as deferred outflows of resources related to pensions as of June 30, 2016, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The $27,674,000 reported as deferred outflows of resources related to pensions as of June 30, 2015, resulting from contributions subsequent to the measurement date, was recognized as a reduction of net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed in Table 15.3, Future Amortization of Deferred Outflows and Deferred Inflows.

Table 15.3. Future Amortization of Deferred Outflows and Deferred Inflows ***(in thousands)***

Years ending June 30:	
2017	$ 18,285
2018	21,996
2019	23,497
2020	18,091
Total	**$ 81,869**

The actuarial assumptions and other inputs used to determine the total pension liability in the December 31, 2014 actuarial valuation are detailed in Table 15.4, Actuarial Assumptions.

Table 15.4. Actuarial Assumptions

Acturial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the AIR

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return, by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in Table 15.5, Target Allocation and Expected Rate of Return.

Table 15.5. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40	5.19
Non U.S. Equity - Developed	22.06	5.29
Non U.S. Equity - Emerging	6.24	6.76
Core Fixed Income	24.05	0.98
High Yield	1.53	2.64
Long Duration Gov't/Credit	0.53	1.57
Emerging Market Bonds	0.43	3.04
Real Estate	7.00	5.09
Private Equity	7.00	7.15
Total	**100.00%**	

In setting the longer term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50 percent.

Per PERA, the discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

The proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate are presented in Table 15.6, Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

Table 15.6. Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate *(in thousands)*

		2016	
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 1,485,194	1,175,591	916,618
		2015	
	1% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
Proportionate share of the net pension liability	$ 1,359,608	1,060,337	808,609

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

PERA DEFINED CONTRIBUTION PLAN

Employees of the University that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The employees' contributions to this 401(k) plan approximated $4,475,000 and $4,338,000 for the years ended June 30, 2016 and 2015, respectively.

PERA DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2015, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2015 for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2015, the plan had 17,814 participants. The employees' contributions to the 457 plan approximated $13,571,000 and $13,372,000 for the years ended June 30, 2016 and 2015, respectively.

UNIVERSITY OPTIONAL RETIREMENT PLAN

Under the University's optional retirement plan (ORP), certain members of the University are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. Generally, employees are eligible for participation in the ORP upon hire and are vested immediately upon participation.

For the years ended June 30, 2016 and 2015, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the ORP approximated $116,728,000 and $106,024,000 during the years ended June 30, 2016 and 2015, respectively. The employees' contribution under the ORP approximated $58,183,000 and $52,850,000 during the years ended June 30, 2016 and 2015, respectively.

Participants in the University's ORP choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's ORP are covered under federal Social Security. Federal Social Security regulations require both the employer and employee to contribute a percentage of covered payroll to Social Security.

UNIVERSITY VOLUNTARY RETIREMENT SAVINGS PLAN

The University provides a voluntary retirement savings plan to most employees referred to as a 403(b) plan. Employee salary deferrals into the 403(b) plan are made before income tax is paid and allowed to grow tax-deferred until the money is taxed as income when withdrawn from the plan. For calendar year 2016 and 2015, the plan had a contribution limit of $18,000. In addition, the plan allowed catch-up contributions of $6,000. The plan is administered by the University and the benefit terms are established and can be amended under the Employee Retirement Income Security Act (ERISA). The employees' contributions to this 403(b) plan approximated $36,882,000 and $33,833,000 for the years ended 2016 and 2015, respectively.

ALTERNATE MEDICARE PLAN

The University provides an Alternate Medicare Plan (AMP) to retirees aged 65 and over. The AMP was established by the University who also administers and has the authority to amend benefits. The AMP is available to the employee and eligible spouse/same gender domestic partner. Coverage is not provided for dependent children. The AMP provides a monthly cash payment of approximately $140 for a retiree and approximately $238 for a retiree plus spouse/same gender domestic partner to offset medical plan costs for non-university Medicare Risk or Medicare-Eligible plan. No retiree contribution is permitted. As these monthly cash payments are not restricted as to use, they are considered a pension rather than a postemployment benefit. As of June 30, 2016 and 2015, based on the July 1, 2015 actuarial valuation, the unfunded actuarial accrued liability was $34,100,000. The AMP is not subject to Statement No. 68, as amended.

For the years ended June 30, 2016, 2015 and 2014, the annual AMP cost was $3,000,000, $3,100,000, and $2,600,000, respectively. The University contributed $1,300,000, $1,400,000 and $1,100,000, respectively, which was 43 percent, 45 percent, and 42 percent, respectively, of the annual AMP cost. The net pension obligation was $11,600,000, $9,900,000, and $8,200,000, respectively. Additional information is presented in the RSI.

The actuarial method used is the projected unit credit cost method and the discount rate used is 4.5 percent. The UAAL is being amortized straight-line over a closed period of 30 years.

Table 15.7, Alternate Medicare Plan presents changes in the AMP for the years ended June 30, 2016 and 2015.

Table 15.7. Alternate Medicare Plan (*in thousands*)

		2016	2015
University			
Annual required contribution (ARC)	$	3,200	3,200
Interest on net obligation		400	400
Adjustment to ARC		(600)	(500)
Net pension expense		3,000	3,100
Contributions made during the year		(1,300)	(1,400)
Increase in AMP		1,700	1,700
Beginning of year		9,900	8,200
End of year	**$**	**11,600**	**9,900**
Current AMP		1,580	1,509

EARLY RETIREMENT INCENTIVE PROGRAM

The University provides an early retirement incentive program (ERIP) to tenured professors who are at least 55 years of age and whose age and years of service total at least 70. These professors must also be participants in the University's Optional Retirement Plan. The ERIP provides eligible participants with an incentive equal to twice the professor's base salary and supplemental pay. In return, the participants will retire and relinquish tenure immediately. There were 81 and 77 participants as of June 30, 2016 and 2015, respectively. Benefits under the ERIP are payable over a five-year period. Participation in this program does not impact the Optional Retirement Plan or OPEB. The liability as of June 30, 2016 and 2015 was $7,222,000 and $9,102,000, respectively, measured at a discounted present value using a rate of 5 percent. Table 15.8, Early Retirement Incentive Program, presents changes in the ERIP for the years ended June 30, 2016 and 2015.

Table 15.8. Early Retirement Incentive Program (*in thousands*)

		2016	2015
University			
Beginning of year	$	9,102	10,851
Additions		1,483	-
Reductions		(3,363)	(1,749)
End of year	**$**	**7,222**	**9,102**
Current ERIP		2,839	3,070

UPI RETIREMENT PLAN

UPI sponsors a defined contribution retirement plan for its permanent employees that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund. The board of directors for UPI has the authority to amend plan provisions. Employees are eligible for participation in the plan after completing one year of service. On behalf of eligible employees, UPI contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2016 and 2015. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2016 and 2015, approximated $1,948,000 and $1,872,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $174,503,000 and $157,066,000 during the years ended June 30, 2016 and 2015, respectively. See Note 18 for discussion of the Trust.

NOTE 16 – SEGMENT AND BLENDED COMPONENT UNIT INFORMATION

As of June 30, 2016 and 2015, the University has one segment, UPI. UPI is also a blended component unit of the University.

UPI has identifiable activities for which UPI Fixed-Rate bonds approximating $9,833,000 and $11,009,000 are outstanding as of June 30, 2016 and 2015, respectively. The activities of this segment include all the SOM's faculty practice plan.

The University paid UPI rental amounts of $2,315,000 and $1,962,000 during the years ended June 30, 2016 and 2015, respectively. As UPI is a blended component unit, these amounts are eliminated.

Summary financial information as of and for the years ended June 30, 2016 and 2015, is presented in Table 16, Segment Financial Information.

Table 16. Segment Financial Information ***(in thousands)***

As of and for the year ended June 30		2016	2015
Condensed Statement of Net Position			
Assets			
Cash and cash equivalents	$	84,577	98,891
Short-term investments		52,958	38,020
Other current assets		87,754	82,235
Total current assets		225,289	219,146
Investments		214,130	177,153
Capital assets, net		43,082	44,112
Other noncurrent assets		5,753	5,253
Total noncurrent assets		262,965	226,518
Total Assets	**$**	**488,254**	**445,664**
Liabilities			
Accounts payable and accrued expenses	$	43,721	49,158
Accounts payable to University of Colorado		6,639	7,062
Bonds, leases, and notes payable		1,308	1,369
Total current liabilities		51,668	57,589
Bonds, leases, and notes payable		8,893	10,194
Total noncurrent liabilities		8,893	10,194
Total Liabilities	**$**	**60,561**	**67,783**
Net Position			
Net investment in capital assets	$	32,881	32,549
Unrestricted		394,812	345,332
Total Net Position	**$**	**427,693**	**377,881**
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues (expenses)			
Patient revenues	$	753,978	680,035
Depreciation expense		(4,466)	(4,125)
Other operating expenses		(695,012)	(625,251)
Operating income		54,500	50,659
Nonoperating revenues (expenses)			
Investment income		11,365	4,612
Interest expense on capital asset-related debt		(253)	(203)
Other nonoperating expenses		(15,800)	(15,035)
Total nonoperating revenues (expenses)		(4,688)	(10,626)
Increase in Net Position		**49,812**	**40,033**
Net Position, beginning of year		377,881	337,848
Net Position, end of year	**$**	**427,693**	**377,881**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$	47,587	67,273
Non-capital financing activities		(15,899)	(15,029)
Capital and related financing activities		(4,974)	(7,664)
Investing activities		(41,028)	(12,814)
Net (Decrease) Increase in Cash and Cash Equivalents		**(14,314)**	**31,766**
Cash and cash equivalents, beginning of year		98,891	67,125
Cash and Cash Equivalents, End of Year	**$**	**84,577**	**98,891**

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2016 and 2015, for the University's DPCU are presented in Table 17, DPCU Summary Financial Statements.

Table 17. DPCU Summary Financial Statements ***(in thousands)***

Condensed Statement of Net Position	**As of June 30, 2016**		
	CU Foundation	**CUREF**	**Total**
Assets			
Current assets			
Cash and cash equivalents	$ 34,693	4,890	39,583
Short-term investments	-	7,795	7,795
Accounts and contributions receivable, net	20,774	192	20,966
Other current assets	554	1,115	1,669
Total current assets	56,021	13,992	70,013
Noncurrent assets			
Investments	1,451,490	5,165	1,456,655
Assets held under split-interest agreements	37,501	-	37,501
Contributions receivable, net	90,784	-	90,784
Other assets	7,430	776	8,206
Capital assets, net	434	71,386	71,820
Total noncurrent assets	1,587,639	77,327	1,664,966
Total Assets	**$ 1,643,660**	**91,319**	**1,734,979**
Liabilities			
Current liabilities			
Accounts payable	$ 324	865	1,189
Accounts payable - University	8,966	-	8,966
Unearned revenue	-	950	950
Bonds, leases, and notes payable	-	6,755	6,755
Split-interest agreements	2,490	-	2,490
Custodial funds	13,354	-	13,354
Total current liabilities	25,134	8,570	33,704
Noncurrent liabilities			
Bonds, leases, and notes payable	-	63,931	63,931
Split-interest agreements	15,315	-	15,315
Custodial funds	328,691	-	328,691
Other liabilities	2,592	19,142	21,734
Total noncurrent liabilities	346,598	83,073	429,671
Total Liabilities	**$ 371,732**	**91,643**	**463,375**
Net Position			
Net investment in capital assets	$ -	24,030	24,030
Restricted for nonexpendable purposes	495,077	-	495,077
Restricted for expendable purposes	721,412	954	722,366
Unrestricted	55,439	(25,308)	30,131
Total Net Position	**$ 1,271,928**	**(324)**	**1,271,604**

Table 17. (continued) DPCU Summary Financial Statements *(in thousands)*

Statement of Revenues, Expenses, and Changes in Net Position	**For the Year Ended June 30, 2016**		
	CU Foundation	**CUREF**	**Total**
Operating revenues			
Contributions	$ 177,688	44	177,732
Other revenue	1,859	18,474	20,333
Total operating revenues	179,547	18,518	198,065
Operating expenses			
Institutional support			
Gifts and income distributed to University and related parties	106,214	65	106,279
Other program services	4,282	4,763	9,045
Support services	20,749	388	21,137
Depreciation and amortization	-	2,309	2,309
Total operating expenses	131,245	7,525	138,770
Operating Income	48,302	10,993	59,295
Nonoperating revenues (expenses)			
Investment income	(21,084)	245	(20,839)
Pledges assigned to affiliate	-	(1,721)	(1,721)
Interest expense on capital asset-related debt	-	(3,715)	(3,715)
Increase in Net Position	**27,218**	**5,802**	**33,020**
Net Position, beginning of year	1,244,710	(6,126)	1,238,584
Net Position, End of Year	**$ 1,271,928**	**(324)**	**1,271,604**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$ (19,975)	1,651	(18,324)
Non-capital financing activities	38,879	14,669	53,548
Capital and related financing activities	(201)	-	(201)
Investing activities	(2,503)	(17,138)	(19,641)
Net Increase (Decrease) in Cash and Cash Equivalents	**16,200**	**(818)**	**15,382**
Cash and cash equivalents, beginning of year	18,493	5,708	24,201
Cash and Cash Equivalents, End of Year	**$ 34,693**	**4,890**	39,583

Table 17. DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Position	As of June 30, 2015		
	CU Foundation	CUREF	Total
Assets			
Current assets			
Cash and cash equivalents	$ 18,493	5,708	24,201
Restricted cash	-	743	743
Short-term investments	-	7,415	7,415
Accounts and contributions receivable, net	20,383	142	20,525
Other current assets	505	1,129	1,634
Total current assets	39,381	15,137	54,518
Noncurrent assets			
Investments	1,474,293	5,878	1,480,171
Assets held under split-interest agreements	44,119	-	44,119
Contributions receivable, net	65,405	-	65,405
Other assets	6,455	894	7,349
Capital assets, net	341	55,845	56,186
Total noncurrent assets	1,590,613	62,617	1,653,230
Total Assets	**$ 1,629,994**	**77,754**	**1,707,748**
Liabilities			
Current liabilities			
Accounts payable	$ 359	925	1,284
Accounts payable - University	6,221	-	6,221
Unearned revenue	-	863	863
Bonds, leases, and notes payable	-	627	627
Split-interest agreements	2,765	-	2,765
Custodial funds	10,946	-	10,946
Total current liabilities	20,291	2,415	22,706
Noncurrent liabilities			
Bonds, leases, and notes payable	-	69,155	69,155
Split-interest agreements	18,486	-	18,486
Custodial funds	343,826	-	343,826
Other liabilities	2,681	12,310	14,991
Total noncurrent liabilities	364,993	81,465	446,458
Total Liabilities	**$ 385,284**	**83,880**	**469,164**
Net Position			
Net investment in capital assets	$ -	(6,076)	(6,076)
Restricted for nonexpendable purposes	451,210	-	451,210
Restricted for expendable purposes	723,887	1,743	725,630
Unrestricted	69,613	(1,793)	67,820
Total Net Position	**$ 1,244,710**	**(6,126)**	**1,238,584**

Table 17. (continued) DPCU Summary Financial Statements *(in thousands)*

Statement of Revenues, Expenses, and Changes in Net Position	For the Year Ended June 30, 2015		
	CU Foundation	CUREF	Total
Operating revenues			
Contributions	$ 131,859	122	131,981
University support	-	-	-
Other revenue	(124)	11,334	11,210
Total operating revenues	131,735	11,456	143,191
Operating expenses			
Institutional support			
Gifts and income distributed to University and related parties	109,204	706	109,910
Other program services	4,586	17,606	22,192
Support services	18,201	334	18,535
Depreciation and amortization	228	2,278	2,506
Total operating expenses	132,219	20,924	153,143
Operating Loss	(484)	(9,468)	(9,952)
Nonoperating revenues (expenses)			
Investment income	41,943	247	42,190
Pledges assigned to affiliate	-	-	-
Interest expense on capital asset-related debt	(5)	(3,737)	(3,742)
Increase (Decrease) in Net Position	**41,454**	**(12,958)**	**28,496**
Net Position, beginning of year	1,203,256	6,832	1,210,088
Net Position, End of Year	**$ 1,244,710**	**(6,126)**	**1,238,584**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$ 594	1,474	2,068
Non-capital financing activities	18,138	175	18,313
Capital and related financing activities	(445)	-	(445)
Investing activities	(17,085)	(4,220)	(21,305)
Net Increase in Cash and Cash Equivalents	**1,202**	**(2,571)**	**(1,369)**
Cash and cash equivalents, beginning of year	17,291	8,279	25,570
Cash and Cash Equivalents, End of Year	**$ 18,493**	**5,708**	**24,201**

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University were approximately $108,843,000 and $116,639,000 during the years ended June 30, 2016 and 2015, respectively. This amount has been recorded as University grant or gift revenue and DPCU operating expense in the accompanying financial statements and does not include undistributed income on University endowments.

Since July 1, 2007, the University has contracted with the CU Foundation to manage a portion of its investments. As of June 30, 2016 and 2015, respectively, $153,379,000 and $159,245,000 is being managed by the CU Foundation. The University is the ultimate beneficiary of substantially all restricted and trust funds held by the CU Foundation and is income beneficiary of a significant portion of endowment funds held by the CU Foundation. In addition, the University contracts with the CU Foundation to manage its endowments. The University has endowments and other assets held by the CU Foundation approximating $172,291,000 and $178,972,000 as of June 30, 2016 and 2015, respectively. The CU Foundation retained an investment management fee equal to 1 percent.

The CU Foundation paid the University $20,749,000 to help cover development costs during the year ended June 30, 2016, which is reported as other operating revenue.

As of June 30, 2016 and 2015, the University recorded an accounts receivable from the CU Foundation of $8,966,000 and $6,221,000, respectively. As of June 30, 2016 and 2015, the University recorded an account payable to the CU Foundation of $710,000 and $603,000, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2016 and 2015, CUREF distributed approximately $65,000 and $706,000, respectively, reported as operating expense, to the University, which recognized an equal amount of gift revenue.

During the year ended June 30, 2015, the University increased its existing unsecured line of credit to CUREF to an amount of $16,000,000, which expires on July 1, 2025. Interest rates and any amortization of principal are determined at the time a draw on the line of credit is made. Interest payments on the draw are due semiannually on June 30 and December 31. Any amortizing principal payments are due on or before June 30 of each fiscal year with no prepayment penalty. The outstanding balance as of June 30, 2016 is $14,449,000 and accrues interest at the rate of 1.03 percent per annum.

CUREF has a long-term agreement with the University to rent portions of facilities from 18th Avenue and 33rd Street. For the years ended June 30, 2016 and 2015, the University paid approximately $2,473,000 and $2,415,000, respectively, in base rent of which approximately $455,000 and $442,000, respectively was prepaid at June 30, 2016 and 2015, to CUREF, which recognized an equal amount of other operating revenues.

Effective as of July 1, 2015, the University entered into an agreement with CUREF to provide certain administrative, financial and operational services. CUREF paid the University $457,000 for these services during the year ended June 30, 2016.

As of June 30, 2016 and 2015, the University had no accounts receivable owed from (other than the line of credit discussed above) and no accounts payable due to CUREF.

See Note 20 regarding the future of CUREF.

NOTE 18 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

In accordance with 1991 State legislation, the Hospital Authority was established as a separate and distinct entity. Detailed financial information may be obtained directly from the Hospital Authority at Mail Stop F-401, P.O. Box 6506, Aurora, Colorado 80045.

CU Denver | Anschutz and UPI have several types of financial transactions with the Hospital Authority. On an annual basis, CU Denver | Anschutz or UPI and the Hospital Authority enter into agreements specifying the fees to be charged for services and the allocation of expenses between the two organizations. In certain circumstances, CU Denver | Anschutz may bear the entire cost of certain services in exchange for educational or other services provided by the Hospital Authority. In some instances, the fee charged by CU Denver | Anschutz, UPI, or the Hospital Authority is a set amount for specific services to be provided. In other circumstances, the fee charged is based upon the amount or type of services requested by either CU Denver | Anschutz or the Hospital Authority.

Examples of services provided by CU Denver | Anschutz to the Hospital Authority include telecommunications services, rental of office space, and resident doctors. Examples of services provided by the Hospital Authority to CU Denver | Anschutz include medical and patient services for sponsored research projects. In general, amounts receivable from, or payable to, the Hospital Authority are settled within the following calendar quarter.

Total payments issued by the Hospital Authority to CU Denver | Anschutz approximated $57,868,000 and $46,626,000 for years ended June 30, 2016 and 2015, respectively. Total payments issued by CU Denver | Anschutz to the Hospital Authority for the years ended June 30, 2016 and 2015 approximated $12,902,000 and $12,538,000, respectively.

For the years ended June 30, 2016 and 2015, the Hospital Authority distributed approximately $35,206,000 and $14,307,000, respectively, reported as gift revenue by the University.

During the years ended June 30, 2016 and 2015, UPI recognized approximately $39,772,000 and $39,541,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $42,640,000 and $37,729,000 during the years ended June 30, 2016 and 2015, respectively, from the Hospital Authority for amounts earned for services performed by UPI faculty members but required to be processed through the Hospital Authority (such as the State medically indigent program, Ryan White, and other miscellaneous programs).

As of June 30, 2016 and 2015, the University recorded an accounts receivable from the Hospital Authority of $7,401,000 and $5,893,000, respectively, for various services provided. As of June 30, 2016 and 2015, the University recorded an accounts payable to the Hospital Authority of $0 and $20,000, respectively. Generally, amounts due are paid during the current or subsequent month.

AURARIA HIGHER EDUCATION CENTER

AHEC, established by legislation in 1974, is jointly governed and utilized by CU Denver, the Community College of Denver, and Metropolitan State University of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions. During the years ended June 30, 2016 and 2015, the University incurred expenses related to the common facilities approximating $10,651,000 and $10,285,000, respectively, for payments to AHEC.

As of June 30, 2016 and 2015, the University recorded an accounts payable to AHEC of $999,000 and $93,000, respectively, for services rendered but not yet paid, and for fees collected for the spring end of term but not yet paid. As of June 30, 2016 and 2015, the University had accounts receivable due from AHEC of $1,000 and $12,000, respectively.

In addition, the University leases space from AHEC. As of June 30, 2016 and 2015, the University has future operating lease payment obligations to AHEC of $2,653,000 and $2,703,000. For related party lease transactions, see Note 9.

Detailed financial information may be obtained directly from AHEC at 1201 5th Street Suite 370, Denver, Colorado 80217-336.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST

The Trust was formed June 28, 2010. Trust members are the University, the Hospital Authority, and UPI. The purpose of the Trust is to provide healthcare benefits to the employees of the Trust members on a self-insured basis. The University does not have financial accountability over the Trust. Self-insured risks are transferred to the pool.

The Trust paid medical claims on behalf of the University of $176,226,000 and $137,535,000 during the years ended June 30, 2016 and 2015, respectively. The University's contributions to the Trust were $174,503,000 and $153,360,000 for the years ended June 30, 2016 and 2015, respectively, and the employees' contributions were $22,515,000 and $17,495,000, respectively. As of June 30, 2016 and 2015, the University had accounts receivable owed from the Trust of $8,000 and $567,000, respectively, and accounts payable due to the Trust of $272,000 and $1,253,000, respectively.

Detailed financial information may be obtained directly from the Trust at 1800 Grant Street, Suite 225, Denver, Colorado 80203.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For the years ended June 30, 2016 and 2015, total rental expense under these agreements approximated $15,096,000 and $11,613,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 19, University Operating Leases Minimum Lease Obligations.

Table 19. University Operating Leases Minimum Lease Obligations
(in thousands)

	University
Years Ending June 30	**Minimum Lease Obligation**
2017	$ 13,335
2018	12,421
2019	9,686
2020	8,718
2021	7,879
2022-2026	24,829
2027-2031	11,294
Total Operating Lease Obligations	**$ 88,162**

Contracts have been entered into for the purpose of planning, acquiring, constructing, and equipping certain building additions and other projects with outstanding amounts totaling approximately $259,294,000 and $212,694,000, as of June 30, 2016 and 2015, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financings. As of June 30, 2016 and 2015, the amount of capital construction appropriations authorized from the State for these projects approximated $46,279,000 and $44,410,000, respectively.

Substantial amounts are received and expended by the University under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position or operations.

UPI, as a member of the healthcare industry, is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. Government activity has continued to increase with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The University is a defendant in a number of legal actions. While the final outcome of many of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability not covered by insurance, if any, for these legal actions will not have a material effect on the University's financial position or operations.

CUREF is involved in litigation whereby the owner of an off-campus student housing project has filed claims against CVA challenging, as a federal antitrust conspiracy to monopolize, the decision of the University to require, according to the plaintiff, "with very few exceptions [that] all first-time domestic freshmen and international students" at CU Denver live at Campus Village Apartments. A jury trial was held during the fiscal year, and the jury returned a verdict in favor of the plaintiff on its antitrust claim and awarded damages of $3,261,000, which have been trebled under the Clayton Act for a total of $9,783,000. Attorneys' fees and costs totaling $1,417,000 were also awarded. Post-judgment interest is accruing on the total amount awarded at the rate of 0.17 percent per annum as of February 3, 2015, the date of entry of judgment.

A notice of appeal was filed September 24, 2015, following the denial of two post-trial motions. The appeal was fully briefed, and oral arguments were held before the appeals court on September 20, 2016. There is no timeline for a decision on the appeal. The judgement remains stayed under a $12,000,000 supersedeas bond posted by CVA. The bond is secured by two restricted investment accounts totaling $5,035,000 as of June 30, 2016 and also by a $7,000,000 indemnification agreement with the University.

Effective as of September 16, 2016, CVA and the plaintiff entered into a settlement agreement in order to mutually limit the monetary risks arising from the uncertainty of the appeal decision. The agreement provides for a payment to the plaintiff of $6,150,000, which has been made by CUREF on behalf of CVA. The parties will continue to litigate the issues in dispute until a decision is made by the appeals court. In the event the appeals court returns a decision reversing the verdict and vacating the judgment, CVA will have no further payment obligation. If the appeals court remands the case to the district court for rehearing, the plaintiff agrees to dismiss the original claims, as well as pending newer claims. If the appeals court affirms the district court's judgement, CVA agrees to pay the plaintiff an additional $100,000, and the plaintiff agrees to acknowledge that the judgment has been satisfied and will dismiss all claims.

As a result of the settlement, agreement the $12,000,000 liability previously reflected as claims and judgments on CUREF's consolidated statement of financial position was reduced to $6,150,000 as of June 30, 2016. As of June 30, 2016, there has been no accrual of any post-judgment interest since the settlement agreement eliminates any post-judgment interest. Additionally, there has been no accrual for additional legal fees, nor for the contingent $100,000 payment that may be due to the plaintiff under the settlement agreement if the appeal is not successful.

NOTE 20 – SUBSEQUENT EVENTS

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION – TRANSFER OF ASSETS

On July 1, 2016, LHV LLC transferred its ownership interest in various vacant land holdings and in a residential home to CUPCO, which were carried at $4,054,000 as of June 30, 2016. Additionally, on the same date, LHV LLC transferred its interest in an option agreement to purchase vacant land to CUPCO, carried at $15,659,000 as of June 30, 2016. No consideration was received by LHV LLC as a result of these transfers, and any debt associated with the transferred interests was assumed by CUPCO.

CUREF, as a sole shareholder, assigned its single share in CU UK to the CU Foundation effective as of July 1, 2016. The net assets of CU UK of $956,000 were consolidated into CUREF as of June 30, 2016. No consideration was received by CUREF as a result of the assignment.

On July 7, 2016, LHV LLC executed a binding commitment to sell real property to a third party for $1,200,000, subject to certain contingencies. LHV LLC transferred the same real property to CUPCO on July 13, 2016, subject to the purchase and sale commitment. The carrying value of this property was $600,000 as of June 30, 2016.

As a result of transfers of all assets from PHV LLC to the CU Foundation and from CVA II to CUPCO, PHV LLC and CVA II were dissolved as of July 31, 2016.

Effective as of August 1, 2016, CUREF transferred its membership interest in 18th Avenue to the University. 18th Avenue's net assets of $1,705,000 were consolidated into CUREF as of June 30, 2016. No consideration was received by the Foundation as a result of the transfer. Additionally, the University replaced CUREF as a limited guarantor of the note.

On August 1, 2016, 33rd Street sold real property to the University, subject to existing leases, under terms of a purchase and sale agreement dated October 31, 2013, and amended July 26, 2016.

Additionally, on October 31, 2013, 33rd Street and the University executed a binding commitment to sell real property on August 1, 2016 ("the closing date"). The property closed as scheduled and the related mortgage was fully satisfied by 33rd Street.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION - LITIGATION

Settlement was reached in the litigation involving claims against CVA more fully described in Note 19.

UNIVERSITY OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016 and 2015

FUNDING STATUS OF OTHER POSTEMPLOYMENT BENEFITS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2014	-	$ 523,409,000	$ 523,409,000	0.00%	$ 1,336,248,000	39.17%
JULY 1, 2012	-	$ 406,782,000	$ 406,782,000	0.00%	$ 1,141,100,000	35.65%
JULY 1, 2010	-	$ 343,144,000	$ 343,144,000	0.00%	$ 1,023,525,000	33.53%
JULY 1, 2008	-	$ 196,715,000	$ 196,715,000	0.00%	$ 898,899,000	21.88%

FUNDING STATUS OF ALTERNATE MEDICARE PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2014	-	$ 34,100,000	$ 34,100,000	0.00%	-	0.00%
JULY 1, 2012	-	$ 28,100,000	$ 28,100,000	0.00%	-	0.00%
JULY 1, 2010	-	$ 22,100,000	$ 22,100,000	0.00%	-	0.00%

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA PENSION LIABILITY

MEASUREMENT DATE	PROPORTION OF COLLECTIVE NET PENSION LIABILITY (A)	PROPORTIONATE SHARE OF COLLECTIVE NET PENSION LIABILITY (B)	COVERED PAYROLL (C)	PROPORTIONATE SHARE (B/C)	PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY
DECEMBER 31, 2015	11.16%	$ 1,175,591,000	$ 296,983,000	395.84%	56.11%
DECEMBER 31, 2014	11.27%	$ 1,060,337,000	$ 292,225,000	362.85%	59.84%
DECEMBER 31, 2013	11.40%	$ 1,015,248,000	$ 284,977,000	356.26%	61.08%

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA PENSION

FISCAL YEAR-END	STATUTORILY REQUIRED CONTRIBUTION (A)	CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTION (B)	CONTRIBUTION DEFICIENCY (EXCESS) (A-B)	COVERED PAYROLL (C)	CONTRIBUTIONS RECOGNIZED AS A PERCENTAGE OF COVERED PAYROLL (B/C)
JUNE 30, 2016	$ 55,479,000	$ 55,479,000	$ -	$ 299,112,000	18.55%
JUNE 30, 2015	$ 51,994,000	$ 51,994,000	$ -	$ 295,357,000	17.60%
JUNE 30, 2014	$ 47,751,000	$ 47,751,000	$ -	$ 288,904,000	16.53%
JUNE 30, 2013	$ 43,219,000	$ 43,219,000	$ -	$ 279,476,000	15.46%
JUNE 30, 2012	$ 33,381,000	$ 33,381,000	$ -	$ 279,810,000	11.93%
JUNE 30, 2011	$ 30,084,000	$ 30,084,000	$ -	$ 278,497,000	10.80%
JUNE 30, 2010	$ 37,398,000	$ 37,398,000	$ -	$ 279,135,000	13.40%
JUNE 30, 2009	$ 34,694,000	$ 34,694,000	$ -	$ 277,523,000	12.50%
JUNE 30, 2008	$ 29,570,000	$ 29,570,000	$ -	$ 254,932,000	11.60%
JUNE 30, 2007	$ 25,502,000	$ 25,502,000	$ -	$ 233,928,000	10.90%
JUNE 30, 2006	$ 23,174,000	$ 23,174,000	$ -	$ 219,601,000	10.55%

NOTE: For information about factors that significantly affect trends in the amounts reported, see PERA’s Comprehensive Annual Financial Report (CAFR).

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Carolyn Rupp, Controller/Director of Accounting, University of Colorado Colorado Springs
Kim Huber, Associate Vice Chancellor for Finance and Controller, University of Colorado Denver

Officers and Staff as of September 2016

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