UNIVERSITY OF COLORADO

2018 ANNUAL FINANCIAL REPORT

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ABBREVIATIONS AND ACRONYMS

18th Avenue	18th Avenue, LLC
457	PERA Deferred Compensation Plan
AED	Amortization Equalization Disbursement
AHEC	Auraria Higher Education Center
AIR	Annual Increase Reserve
Altitude West, LLC	Altitude West
AMP	Alternate Medicare Plan
ARC	Annual Required Contribution
Authority	Colorado Educational and Cultural Facilities Authority
CAFR	Comprehensive Annual Financial Report
Children's Colorado	Children's Hospital Colorado
CIRES	Cooperative Institute for Research in Environmental Sciences & Physics
CMS	Centers for Medicare and Medicaid Services
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 Denver | Anschutz	University of Colorado Denver | Anschutz Medical Campus
CU Foundation	University of Colorado Foundation
CU Medicine	University of Colorado Medicine
CUPCO	University of Colorado Property Corporation, Inc.
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
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HCPF	Colorado Department of Health Care Policy and Financing
HCTF	Health Care Trust Fund
HDS	Housing and Dining Services
JILA	Joint Institute for Laboratory Physics
LASP	Laboratory for Atmospheric and Space Physics
LOC	Letter of Credit
MD&A	Management's Discussion and Analysis
NASA	National Aeronautics and Space Administration
NAV	Net Asset Value
NIH	National Institute of Health
NIST	National Institute of Standards and Technology

OPEB	Other Postemployment Benefits
ORP	Optional Retirement Plan
PDPA	Public Deposit Protection Act
PERA	Public Employees' Retirement Association of Colorado
RASEI	Renewable and Sustainable Energy Institute
Regents	Board of Regents
RSI	Required Supplementary Information
S&P	Standard and Poor's
SAED	Supplemental Amortization Equalization Disbursement
SB	Senate Bill
SDTF	State Division Trust Fund
SEC	Securities and Exchange Commission
SEIR	Single Equivalent Interest Rate
SOM	School of Medicine
State	State of Colorado
Statement No. 68	Accounting & Financial Reporting for Pensions (as amended)
Statement No. 69	Government Combinations & Disposals of Government Operations
Statement No. 72	Fair Value Measurement & Application
Statement No. 73	Accounting & Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68, as Amended
Statement No. 75	Accounting & Financial Reporting for Postemployment Benefits Other than Pensions
Statement No. 81	Irrevocable Split-Interest Agreements
Statement No. 89	Accounting for Interest Cost Incurred Before the End of a Construction Period
Surgery Center	Children's North Surgery Center, LLC
TABOR	Taxpayer's Bill of Rights
TriWest	TriWest Healthcare Alliance Corp.
Trust	University of Colorado Health and Welfare Trust
UAAL	Unfunded Actuarial Accrued Liability
UCCS	University of Colorado Colorado Springs
UCH	University of Colorado Hospital
ULEHI	University License Equity Holding, Inc.
University	University of Colorado
UPL	Upper Payment Limit

The University of Colorado, Board of Regents, September 2018

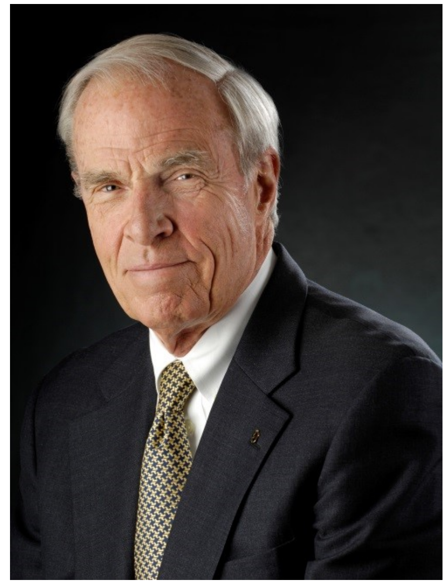
Standing left to right:

Jack Kroll, Vice Chair, 1st Congressional District, Term 2017-23; John Carson, 6th Congressional District, Term 2015-21; Stephen C. Ludwig, At Large, Term 2013-19; Heidi Ganahl, At Large, Term 2017-23; Kyle Hybl, 5th Congressional District, Term 2013-19

Seated left to right:

Sue Sharkey, Chair, 4th Congressional District, Term 2017-23; Irene Griego, 7th Congressional District, Term 2015-21; Glen Gallegos, 3rd Congressional District, Term 2013-19; Linda Shoemaker, 2nd Congressional District, Term 2015-21

FROM THE PRESIDENT



The University of Colorado continues to successfully advance its mission of serving our students and our state through prudent and resourceful financial administration. With CU Boulder's Leeds School of Business projecting a downturn in its 2019 economic forecast, this fiscal responsibility is more critical than ever. We have efficiencies in place to help the University further prosper in good times, and prepare for any challenges down the road. These continued efficiencies have helped the University earn the highest levels of confidence by the state, our constituents and financial institutions.

The University generates an estimated economic impact of $12.35 billion annually for the state, including the hospitals that University physicians staff and patients we serve on the CU Anschutz Medical Campus. The University is a substantial driver of Colorado's economy as the system and its four campuses directly employ about 35,000 faculty, staff and student workers, making the University the third-largest employer in Colorado.

For the year that ended June 30, 2018, the University's net position was $1.65 billion. You'll note this is $707 million less than June 30, 2017; this is because of the impact of expected investment returns at PERA and a new Governmental Accounting Standards Board statement on post-employment benefits. Please read through the Management's Discussion and Analysis section of this report for more information.

Despite these changes, our primary funding streams have continued to thrive as we increase revenue resources and improve on our efficiencies. The University achieved a record level of research funding in Fiscal Year 2018, with faculty securing $1.053 billion in federal, state and local awards – a 1.8 percent increase over the previous year's total.

The University also set a new record in fundraising this year thanks to $440.4 million in private contributions, reflecting an increase of $54.1 million. The preliminary figure for Fiscal Year 2018 marks the ninth consecutive year in which the University has exceeded the previous annual total.

Our financial health ensures that we meet our obligations 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 cu.edu/accountability.

Sincerely,

Bruce D. Benson

President

CliftonLarsonAllen LLP
CLAconnect.com

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, 2018 and 2017, 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 2018 and 2017 financial statements of University of Colorado Medicine (CU Medicine), a blended component unit, which represents approximately 9%, 34%, and 24%, and 8%, 20%, and 21% of the assets, net position, and revenues of the business-type activities of the University for 2018 and 2017, respectively. In addition, we did not audit the 2018 and 2017 financial statements of the University of Colorado Foundation (CU Foundation) or 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 2018 and 100% and -0-%, respectively, of the assets, 100% and -0-%, respectively, of the net position, and 96% and 4%, respectively, of the revenues in 2017. 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 CU Medicine, the 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 CU Medicine and the University of Colorado Property Corporation, blended component units, 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, 2018 and 2017, 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.

During fiscal year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* and GASB Statement No. 89*, Accounting for Interest Cost Incurred Before the End of a Construction Period.* As a result of the implementation of GASB Statements No. 75 and 81, the University reported a restatement for the change in accounting principle (see Note 1). As of July 1, 2017, the University's net position was restated to reflect the impact of this adoption. The provisions of GASB Statement No. 89 were applied prospectively. Fiscal year 2017 was not restated for these changes in accounting principle due to the fact that information was not available to the University to restate net position as of July 1, 2016. Our opinions were not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the PERA pension liability, the schedule of University's Proportionate Share of the PERA OPEB Liability, the schedule of the University's Contributions to the PERA pension plan, the schedule of University's Contributions to the PERA OPEB Plan, and the schedules of changes in the University's Alternate Medicare Plan liability and related ratios, and total OPEB liability – University Plan and related ratios, as listed in the table of contents, 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 14, 2018, 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 14, 2018

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 net position and results of operations for the years ended June 30, 2018 and 2017 (Fiscal Year 2018 and 2017, respectively), with comparative information for the year ended June 30, 2016 (Fiscal Year 2016). 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 of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2018 and 2017). 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, 2018 and 2017. 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, 2018 and 2017. 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.

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 schedules of the University's proportionate share of the Public Employee's Retirement Association of Colorado (PERA) pension liability and Other Postemployment Benefits (OPEB) liability, contributions to the PERA pension and OPEB plans, the changes in the Alternate Medicare Plan (AMP) liability and the OPEB liability and related ratios, and 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/accountability-data-center).

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2018 include:

- University assets total $7,006,367,000, deferred outflows of resources (reflecting loss on bond refundings, and certain changes in the PERA pension, AMP and OPEB plans) total $538,756,000, liabilities total $5,672,431,000 and deferred inflows total $220,851,000 (related to the PERA and AMP pensions, OPEB, and other items) resulting in net position of $1,651,841,000. Of this amount, $1,912,493,000 is net investment in capital assets, $48,618,000 is restricted for nonexpendable purposes, meaning only the earnings on the related investments may be used for purposes dictated by the resource provider, and $686,109,000 is restricted for purposes for which the donor, grantor, or other external party intended. The remaining unrestricted balance is a negative $995,379,000. See discussion throughout this Management's Discussion and Analysis (MD&A) regarding the University's negative unrestricted net position.

- As discussed in Note 1, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reports for Postemployment Benefits Other Than Pensions* (Statement No. 75) effective July 1, 2017 which was the first day of Fiscal Year 2018. The University elected to adopt this standard as a cumulative effect in the Fiscal Year 2018 column as information required from PERA for their cost-sharing plan was not available for periods before June 30, 2017. As a result, Fiscal Year 2017 balances reported in this document were not impacted.

- The increase in the University's net pension liability for Fiscal Year 2018 is a result of the increase in the state-wide net pension liability, due to changes in underlying actuarial assumptions made by PERA related to the discount rate.

- In total, operating revenues increased approximately 8.7 percent in Fiscal Year 2018 while operating expenses increased 8.9 percent. For comparative purposes, operating revenues increased 8.5 percent in Fiscal Year 2017 while operating expenses increased 18.1 percent. The increase in operating expenses is primarily due to changes in PERA assumptions which increased the net pension liability by 7.7 percent for Fiscal 2018 and 74.3 percent for Fiscal 2017.

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 with the exception of the PERA pension, AMP, and OPEB liabilities. Deferred outflows and inflows of resources and the related liability experienced changes from the prior year. The deferred outflows of resources of $538,756,000 in Fiscal Year 2018, $706,918,000 in Fiscal Year 2017, and $198,126,000 in Fiscal Year 2016 represent the deferred loss on bond refundings, and items related to the PERA pension, AMP, and OPEB liabilities. These balances fluctuated due to changes in actuarial assumptions made by PERA and the University's actuary. 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, 2018, 2017, and 2016 *(in thousands)*

		2018	2017	2016
Assets				
Current assets	$	929,099	838,388	808,547
Noncurrent, noncapital assets		2,474,177	2,306,105	2,137,091
Net capital assets		3,603,091	3,530,562	3,358,591
Total Assets		**7,006,367**	**6,675,055**	**6,304,229**
Deferred Outflows				
Loss on bond refundings		58,727	54,427	62,577
PERA pension-related		448,973	641,350	135,549
Alternate medicare plan-related		9,977	11,141	-
Other postemployment benefits-related		21,079	-	-
Total Deferred Outflows		**538,756**	**706,918**	**198,126**
Total Assets and Deferred Outflows		**7,545,123**	**7,381,973**	**6,502,355**
Liabilities				
Current liabilities		627,182	710,111	654,264
Noncurrent liabilities		5,045,249	4,303,732	3,311,266
Total Liabilities		**5,672,431**	**5,013,843**	**3,965,530**
Deferred Inflows				
PERA pension-related		95,564	9,629	23,830
Alternate medicare plan-related		5,863	89	-
Other postemployment benefits-related		117,695	-	-
Other		1,729	-	-
Total Deferred Inflows		**220,851**	**9,718**	**23,830**
Total Liabilities and Deferred Inflows		**5,893,282**	**5,023,561**	**3,989,360**
Net Position				
Net investment in capital assets		1,912,493	1,949,435	1,821,752
Restricted for nonexpendable purposes		48,618	58,390	58,390
Restricted for expendable purposes		686,109	536,860	484,706
Unrestricted		(995,379)	(186,273)	148,147
Total Net Position		**1,651,841**	**2,358,412**	**2,512,995**
Total Net Position and Liabilities and Deferred Inflows	**$**	**7,545,123**	**7,381,973**	**6,502,355**

Increases from Fiscal Year 2017 to 2018 in both current assets and noncurrent assets were primarily due to increases in investments and in accounts and loan receivables. From Fiscal Year 2016 to 2017, increases in current and noncurrent assets were caused by increases in investments offset by a decrease in accounts and loans receivable.

The University's investments were $2,779,799,000 and $2,607,441,000 at June 30, 2018 and 2017, respectively, representing an increase of $172,358,000. The University's investments were $2,607,441,000 and $2,361,851,000 at June 30, 2017 and 2016, respectively, representing an increase of $245,590,000. The increases in investments for both years was primarily due to fair value increases and the issuance of new bonds offset by bond proceeds being liquidated and used for projects.

The increase in net accounts and loans receivable from Fiscal Year 2017 to 2018 of $46,010,000 was primarily due to the University of Colorado Medicine's (CU Medicine) growth in patient billing. The decrease in net accounts and loans receivable from Fiscal Year 2016 to 2017 of $61,854,000 was primarily due to improvements in the process of sponsored project billing and the related letter of credit (LOC) draws as the University more fully utilized its new finance system.

The University's non-debt-related liabilities were $3,853,783,000, $3,333,647,000, and $2,274,484,000 at June 30, 2018, 2017 and 2016, respectively. These liabilities are comprised of amounts categorized in Figure 2.

Figure 2. Composition of Non-debt-related Liabilities as of June 30, 2018, 2017, and 2016

(in thousands)		2018	2017	2016
Accounts payable	$	137,964	129,894	103,591
Accrued expenses		119,711	265,292	243,474
Compensated absences		249,736	226,758	204,028
Unearned revenue		187,551	178,825	169,507
Early retirement incentive program		4,077	4,602	7,222
Other postemployment benefits		795,147	343,570	289,133
Alternate medicare plan		73,211	74,723	11,600
Net pension liability		2,206,541	2,049,366	1,175,591
Risk financing		29,225	27,857	29,862
Construction contract retainage		9,609	12,880	19,821
Funds held for others		17,729	16,511	16,757
Federal Perkins loan		20,341	-	-
Miscellaneous liabilities		2,941	3,369	3,898
Total Non-debt-related Liabilities	**$**	**3,853,783**	**3,333,647**	**2,274,484**

The largest categories of non-debt-related liabilities are the net pension liability, other postemployment benefits (OPEB) liabilities, compensated absences, and unearned revenue.

As discussed in Note 15, the University participates in the state-wide PERA cost-sharing defined benefit pension plan. Statement No. 68 *Accounting and Financial Reporting for Pensions* (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 PERA's 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 2017 Comprehensive Annual Financial Report (CAFR), PERA's net pension liability for the state division in which the University participates is $20,017,982,000. The University's proportionate share of the liability based on calendar 2017 contributions is $2,206,541,000. 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 (see Figure 7). For PERA's 2016 CAFR, the net pension liability was $18,368,131,000 and the University's proportionate share of the liability was $2,049,366,000. The majority of the $1.6 billion increase can be attributed to a change in assumptions, which required using a blended discount rate 4.72 percent in Fiscal Year 2018 and 5.26 percent in Fiscal Year 2017, instead of the 7.25 percent estimated rate of return.

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 University has chosen to fund this liability on a pay-as-you-go basis; therefore there are no assets held in trust to pay future benefits which have been earned by employees. Statement No. 75 is effective for Fiscal Year 2018 and 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. In addition, University employees in PERA can elect to participate in the PERACare program for other postretirement benefits, so the University is required to record its proportionate share of PERA's net OPEB liability. As noted in Figure 2, the liability required to be reported in the financial statements totaled $795,147,000 in Fiscal Year 2018, $746,773,000 from the University's OPEB plan and $48,374,000 from PERA's OPEB plan. The cumulative impact of adopting the standard for both plans was a $507,608,000 reduction to unrestricted net position (see Note 1).

In Fiscal Year 2017, the University followed the provisions of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* (Statement No. 45). The liability for OPEB totaled $343,570,000 in Fiscal Year 2017, an increase of $54,437,000 from Fiscal Year 2016. This increase is primarily due to the annual required contributions of $74,105,000 and $65,667,000 in Fiscal Year 2017 and 2016, respectively, offset by pay-as-you-go amounts of approximately $14,929,000 and $14,350,000 for Fiscal Year 2017 and 2016, respectively, which were the reporting requirements under Statement No. 45.

Compensated absences estimate the amount payable to employees in the future for their vested rights under the University's various leave programs. This estimate is based on personnel policies that define the amount of vacation and sick leave 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.

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 for which payment has been received in advance. In Fiscal Years 2018, 2017 and 2016, University of Colorado Boulder's (CU Boulder) Laboratory for Atmospheric and Space Physics (LASP) received an advanced-pay sponsored project of which $23 million, $47 million and $39 million, respectively, was unearned at year-end.

Accrued expenses in Fiscal Year 2017 and Fiscal Year 2016 include the year-end accruals of the University's June payroll, which was not paid until July due to State law. The decrease in the liability in Fiscal Year 2018 is due to a change in interpretation in State law resulting in Higher Education institutions paying June 30 monthly payroll on the normal schedule.

As permitted by GAAP, the University historically recorded the federal share of the Perkins Fund in restricted net position. With the expiration of the Perkins Loan Program, the University is required, beginning in Fiscal Year 2018, to reflect the federal share as a liability. Therefore, the University recorded a liability of $20,341,000 and a related expense of the same amount in the Fiscal Year 2018 financial statements (see Note 10).

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).

In Fiscal Year 2018 total restricted for nonexpendable net position decreased by $9,722,000 due to several endowments being transferred to the CU Foundation pursuant to Regent policy and to promote administrative efficiency in stewarding University funds.

As noted earlier, due to the PERA and OPEB pension liabilities, the University's unrestricted net position is negative. This means the University's total liabilities and deferred inflows of resources are greater than its assets and deferred outflows of resources. See "Economic Factors That Will Affect the Future" for further discussion.

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 not to fall in the operating category.

The special item in Fiscal Year 2017 is due to the transfer of operations from the University of Colorado Real Estate Foundation (CUREF) to the University and to the University of Colorado Property Corporation (CUPCO), a blended component unit of the University, in accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* (Statement No. 69).

In Fiscal Year 2018, the cumulative effect of adoption of new accounting principle relates to the implementation of Statement No. 75 and Statement No. 81 *Irrevocable Split-Interest Agreements* (Statement No. 81). See Note 1 for further detail. In Fiscal Year 2017, the cumulative effect of adoption relates to the implementation of GASB Statement No. 73 *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68, as amended* (Statement No. 73).

Figure 3. Summary of Revenues, Expenses, and Changes in Net Position for Years Ended

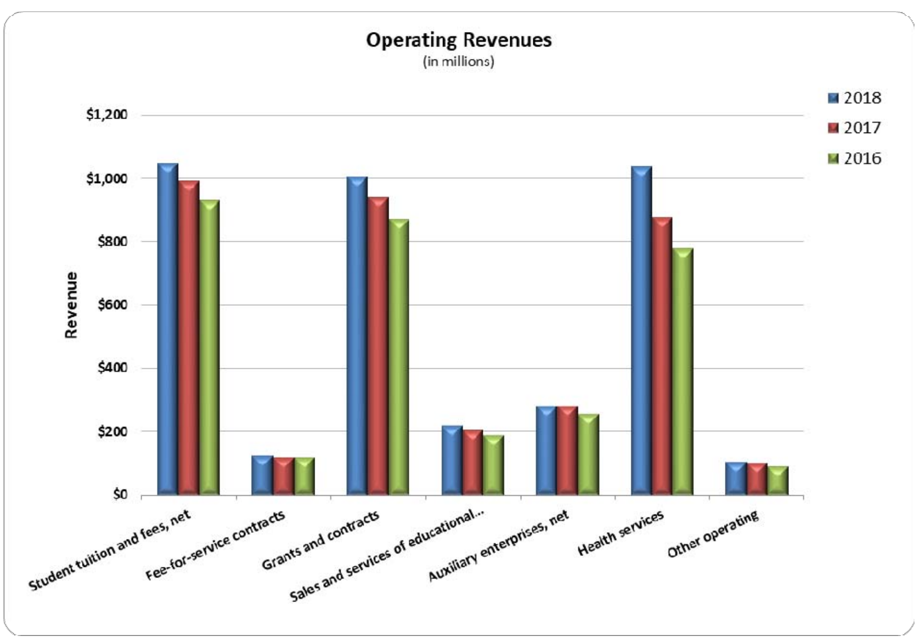
June 30, 2018, 2017, and 2016 *(in thousands)*		**2018**	**2017**	**2016**
Operating revenues	$	3,833,883	3,528,628	3,253,072
Operating expenses		4,450,302	4,088,052	3,462,449
Operating Loss		**(616,419)**	**(559,424)**	**(209,377)**
Nonoperating revenues, net		391,002	398,451	202,406
Income (Loss) Before Other Revenues		**(225,417)**	**(160,973)**	**(6,971)**
Other revenues		28,159	53,838	46,943
Change in Net Position before special item		**(197,258)**	**(107,135)**	**39,972**
Special item-Transfer from CUREF		**-**	(808)	**-**
Change in Net Position after special item		**(197,258)**	**(107,943)**	**39,972**
Net Position, beginning of year		2,358,412	2,512,995	2,473,023
Cumulative effect of adoption of new accounting principle		(509,313)	(46,640)	-
Net Position, beginning of year, as restated		1,849,099	2,466,355	2,473,023
Net Position, End of Year	**$**	**1,651,841**	**2,358,412**	**2,512,995**

Figure 4 provides an illustration of 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 2018, 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 State budgets specifically excluded student tuition and fees from appropriated funds, however, in Fiscal Year 2017 and 2018 student tuition was included in the State's Long Bill. 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, 2018 and 2017, the University believes it has met all requirements of TABOR enterprise status (Note 12). The amount of State grants received by the University was 0.58 percent and 1.36 percent of total annual revenues during the Fiscal Years ended June 30, 2018 and 2017, 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, 2018, 2017, and 2016 *(in thousands)*

		2018	2017	2016
Operating Revenues				
Student tuition and fees, net	$	1,049,558	992,594	932,656
Fee-for-service contracts		126,706	121,872	121,440
Grants and contracts		1,007,398	943,199	872,665
Sales and services of educational departments		222,618	207,273	191,590
Auxiliary enterprises, net		284,034	283,007	259,826
Health services		1,037,529	876,986	781,257
Other operating		106,040	103,697	93,638
Total Operating Revenues		**3,833,883**	**3,528,628**	**3,253,072**
Nonoperating Revenues				
Federal Pell Grant	$	57,021	49,957	48,383
State appropriations		15,651	15,325	12,249
Gifts		198,386	181,049	174,926
Investment income, net		160,106	206,294	18,516
Other nonoperating, net		31,601	17,041	10,273
Total Nonoperating Revenues		**462,765**	**469,666**	**264,347**
Total Noncapital Revenues	**$**	**4,296,648**	**3,998,294**	**3,517,419**



The University experienced increases in all operating revenue sources in Fiscal Year 2018. The increases in tuition and fee revenue for Fiscal Years 2018 and 2017 reflect a combination of changing enrollment and rate increases. In Fiscal Year 2018 and 2017, enrollment increased by 3.4 percent and 3.6 percent, respectively. In Fiscal Year 2018, approved tuition rates increased 4.9 percent at CU Boulder, 4.0 percent at the University of Colorado Colorado Springs (UCCS), and 3.2 percent at the University of Colorado Denver (CU Denver). In Fiscal Year 2017, the increases were 4.9 percent, 3.8 percent, and 3.6 percent, respectively. At the University of Colorado Anschutz Medical Campus (CU Anschutz), tuition rates increased 3.7 percent in Fiscal Year 2018 and the rate increased 5.1 percent in Fiscal Year 2017.

In Fiscal Years 2018, 2017 and 2016, the University applied $67,612,000, $64,661,000, and $63,175,000, respectively, of COF stipends against student tuition bills (these amounts are included in tuition revenues). Fee-for-service revenue from the State increased $4,834,000 between Fiscal Year 2018 and 2017, and $432,000 between Fiscal Year 2017 and 2016, 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 three 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 73 percent, 74 percent and 77 percent of total grants and contract revenue for Fiscal Year 2018, 2017 and 2016, 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 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 2018, 2017 and 2016, the University received $206,315,000, $182,846,000 and $180,353,000, 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 2018 and Fiscal Year 2017 is due to an increase in student body, affecting housing, dining, and food services at UCCS, where the food service is not outsourced. At CU Boulder, the increases were due to Housing & Dining Services (HDS) room and board and meal revenue, bookstore revenue, and athletics revenue.

The majority of health services revenue includes medical practice plan revenues earned through CU Medicine (Notes 1 and 16), which has experienced growth in operating revenue of 18.7 percent in Fiscal Year 2018 and 12.6 percent in Fiscal Year 2017. Patient services revenue contributed the majority of the operating revenue increase which was driven by a 7.6 percent in Fiscal Year 2018 and 8.5 percent in Fiscal Year 2017 growth in clinical volumes and ongoing efforts to maximize reimbursement rates for commercial insurance. The increase in Fiscal Year 2018 was also driven by participation in the Upper Payment Limit (UPL) program which allows for appropriations for specialty education services provided by CU Anschutz to be used for Medicaid reimbursement.

Gifts increased $17,337,000 between Fiscal Year 2018 and 2017 mainly due to the School of Medicine which received support gifts for various research programs as well as increased gifts to CU Boulder for Leeds School of Business, Athletics, College of Engineering, and Biofrontiers Institute. Gifts increased $6,123,000 between Fiscal Year 2017 and 2016 mainly due to supporting Transformational Research funding and the National Behavior Health Innovation Center at CU Anschutz.

Investment income net of investment expense was $160,106,000 in Fiscal Year 2018, $206,294,000 in Fiscal Year 2017, and $18,516,000 in Fiscal Year 2016. Investment income is subject to inherent variability due to the requirement to record the majority of investments at fair value. In Fiscal Year 2018, the University's unrealized gains on investments (the difference between the investment's fair value and cost basis) increased by $64,992,000. In Fiscal Year 2017, the University's unrealized gains on investments increased by $125,538,000.

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, 2018, 2017, and 2016

(in thousands)		2018	2017	2016
Capital student fee, net	$	17,250	10,203	11,612
Capital appropriations		3,643	33,441	24,860
Capital grants and gifts		17,038	10,194	10,471
Loss on disposal of capital assets		(2,692)	(3,597)	(5,858)
Total Capital Revenues	**$**	**35,239**	**50,241**	**41,085**

The capital student fee is used to fund construction or renovation projects on student facility buildings at CU Boulder, to fund the Student Wellness Center at CU Denver, and in Fiscal Year 2018, to fund the Recreation and Wellness Center, the Family Development Center, and the University Center at UCCS.

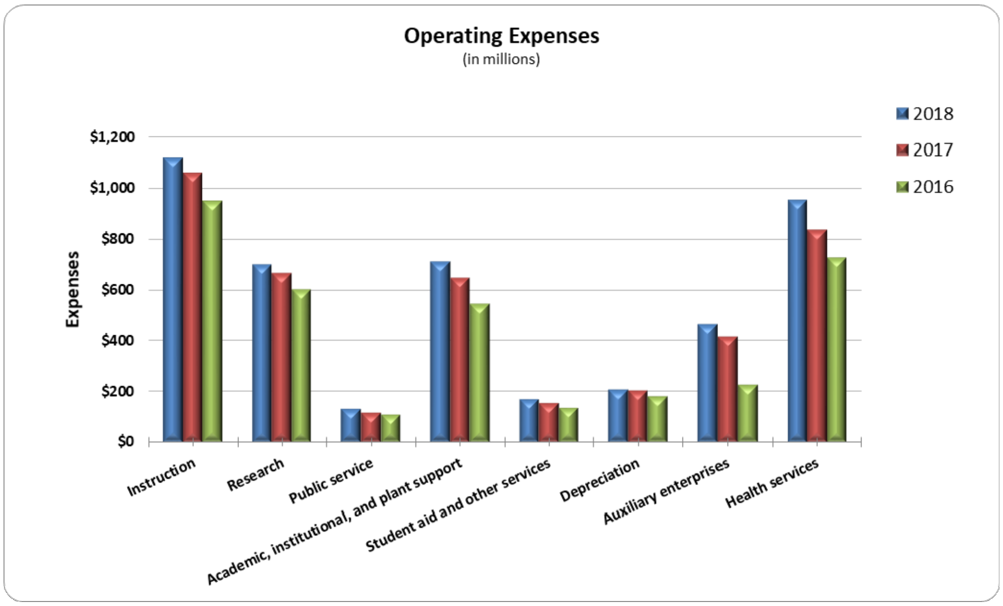
The University received appropriations from the State of $3,643,000 in Fiscal Year 2018 compared to $33,441,000 in Fiscal Year 2017 and $24,860,000 in Fiscal Year 2016. These monies are used for various controlled maintenance and other capital construction activity and fluctuate year to year based on the State budget.

Capital grants and gifts increased $6,844,000 in Fiscal Year 2018 primarily due to gifts for supporting construction costs of the Student Wellness Center and the Jake Jabs Event Center in the Business School building at CU Denver, and a gift for the construction of the 5th wing of CU Boulder's Jennie Smoly Caruthers Biotechnology Building. Capital grants and gifts were consistent from Fiscal Year 2016 to Fiscal Year 2017.

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 7.1 percent and 13.1 percent in Fiscal Year 2018 and 2017, 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 in Fiscal Year 2018 is mainly due to sponsored research expenditures, focused in Laboratory in Atmospheric Space Physics (LASP), Cooperative Institute for Research in Environmental Sciences and Physics (CIRES), Joint Institute for Laboratory Astrophysics (JILA), and Renewable and Sustainable Energy Institute (RASEI) at CU Boulder and the NIH at the CU Anschutz as well as private projects for clinical trials. The Fiscal Year 2017 increase in research expenditures related to increased nongovernmental grants and contracts within LASP. In addition, pension expense increased $81,090,000 and $312,412,000 in Fiscal Year 2018 and Fiscal Year 2017, respectively, which was allocated across the various expense program categories based on the related payroll.

Figure 6. Expense Program Categories for Years Ended June 30, 2018, 2017, and 2016

(in thousands)		2018	2017	2016
Instruction	$	1,117,230	1,057,097	949,007
Research		700,330	664,476	601,354
Public service		131,790	116,661	106,366
Academic, institutional, and plant support		710,342	646,164	542,808
Student aid and other services		167,016	154,139	132,876
Total Education and General		**2,826,708**	**2,638,537**	**2,332,411**
Depreciation		206,950	202,938	181,191
Auxiliary enterprises		463,862	413,393	224,523
Health services		952,782	833,184	724,324
Total Operating Expenses	**$**	**4,450,302**	**4,088,052**	**3,462,449**



The expense totals in Figure 6 above include PERA pension expense. Figure 7 demonstrates the impact of the changes made to PERA's actuarial assumptions to the University's Fiscal Year 2017 and 2018 financial statements. As can be seen in the chart below, pension expense increased $20,645,000 in Fiscal Year 2016, prior to the changes made by PERA to its actuarial assumptions. In Fiscal Year 2017, pension increased by $312,412,000, and in fiscal year 2018, pension expense increased $81,090,000. These increases (and corresponding increase in net pension liability) should be compared to the required cash contributions for each of the Fiscal Years 2016, 2017, and 2018 of $54,561,000, $58,698,000, and $61,138,000 respectively.

Figure 7. PERA Pension Expense Compared to Required Contributions

(in thousands)

		2018	2017	2016
Pension expense	$	496,627	415,537	103,125
Expense increase from prior year		81,090	312,412	20,645
Required contributions		61,138	58,698	54,561

Including the impact of PERA's actuarial valuation changes, as reflected in the audited financial statements, results in total operating expenses increasing 19.4 percent, 19.8 percent, and 10.2 percent for the fiscal years ended June 30, 2018, 2017, and 2016, with the increase from Fiscal Year 2016 to 2017 due to PERA's actuarial valuation changes. Excluding the impact of these changes, operating expenses would have increased 7.7 percent, 9.2 percent, and 8.6 percent for the same time period. These increases, excluding the impact of PERA changes, are in line with expectations of a growing student population, increases in research and development activity, and salary increases.

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 $222,097,000, $200,664,000 and $187,250,000 in Fiscal Year 2018, 2017 and 2016, respectively.

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

CAPITAL ASSETS AND DEBT MANAGEMENT

The University had $5,982,074,000, $5,726,536,000 and $5,352,014,000 of plant, property, and equipment at June 30, 2018, 2017 and 2016, respectively, offset by accumulated depreciation of $2,378,983,000, $2,195,974,000 and $1,993,423,000, respectively. The major categories of plant, property, and equipment at June 30, 2018, 2017 and 2016 are displayed in Figure 8. Related depreciation charges of $206,950,000, $202,938,000 and $181,191,000 were recognized in the Fiscal Years 2018, 2017 and 2016, respectively. Detailed financial activity related to the changes in capital assets is presented in Note 5. Figure 9 details the University's current construction commitments.

Figure 8. Capital Asset Categories (before depreciation) as of June 30, 2018, 2017, and 2016 *(in thousands)*

		2018	2017	2016
Land	$	85,925	84,964	65,374
Construction in progress		348,937	320,025	274,770
Buildings and improvements		4,447,206	4,266,541	4,018,668
Equipment		574,775	546,890	504,054
Software and other intangibles		97,608	94,565	92,712
Library and other collections		427,623	413,551	396,436
Total Capital Assets (gross)	**$**	**5,982,074**	**5,726,536**	**5,352,014**

Figure 9. Current Construction Projects as of June 30, 2018

Campus/Project Description	Financing Sources	Value*
CU Boulder:		
Engineering Center Complex Renovation	Campus cash resources	$ 28,348
Aerospace Engineering Sciences Bldg	Campus cash resources	82,546
Euclid Autopark Addition (Center for Academic Success)	Campus cash resources	52,956
Jennie Smoly Caruthers Biotech Bldg (5th Wing)	State appropriation and campus cash resources	43,170
Ramaley Biology Addition	Campus cash resources	21,801
WillVill East Residence Hall	Campus cash resources	96,700
Music-IMIG Addition	Campus cash resources	57,000
Fleming Tower Renovation & System Upgrades	Campus cash resources	13,719
North Wing Addition to Aerospace Engineering Sciences Building	Campus cash resources	18,653
CU Denver | Anschutz:		
Building 500 - 4th Floor Renovation	Campus cash resources	5,624
Business School Infill	Campus cash resources and gift	11,179
Campus Support Building Renovation	Campus cash resources	8,085
Central Utility Plant Boilder and Chiller	Bond proceeds	33,399
Colorado Center for Personalized Medicine & Behavioral Health	State, campus cash resources, gift, and debt	242,041
North Classroom Building Renovation	Campus cash resources	38,401
Parking Structure 2 and Police Building	Bond proceeds	71,447
Denver Wellness Center	Bond proceeds, capital student fee, and campus cash resources	44,339
UCCS:		
ENT Center for the Arts	State, gift, and campus cash resources	59,968
Sports Medicine and Performance Center	Bond proceeds	61,425
Indoor Practice Field	Bond proceeds, campus cash, gift	13,300
North Nevada Infrastructure	Campus cash resources/System cash resources/gift	20,000

** Value represents budgeted costs for project in thousands*

During Fiscal Year 2018, the University issued $471,390,000 in revenue bonds with proceeds used to refund portions of prior obligations, to pay certain costs related to the issuance, and to establish escrow accounts for the cross-over funding of Series 2009B, 2010A, and 2010C.

During Fiscal Year 2017, the University issued $66,930,000 in revenue bonds with proceeds being allocated to refunding a portion of certain outstanding obligations and paying costs relating to the issuance of the Series 2017A Bonds. In addition, $53,735,000 of bonds was assumed as part of a newly formed blended component unit.

At June 30, 2018, 2017 and 2016, the University had debt (or similar long-term obligations) of $1,778,648,000, $1,680,196,000 and $1,691,046,000, respectively, in the categories illustrated in Figure 10. More detailed information about the University's debt is included in Note 9.

Figure 10. Debt Categories as of June 30, 2018, 2017, and 2016

(in thousands)		2018	2017	2016
Revenue bonds	$	1,755,804	1,655,668	1,675,644
Capital leases		11,824	13,313	15,402
Notes payable		11,020	11,215	-
Total Long-term Debt	**$**	**1,778,648**	**1,680,196**	**1,691,046**

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.

In addition, during Fiscal Year 2018 the Regents authorized a commercial paper program for approved capital construction projects with a maximum outstanding amount of $200 million. This short-term financing has a fixed maturity of less than 270 days from issuance. During Fiscal Year 2018, the University issued $40 million of commercial paper to fund construction projects at CU Boulder with an initial interest rate of 1.3 percent.

The University minimizes financing costs by monitoring current market conditions and by maintaining a bond rating of Aa1 and AA+ and commercial paper ratings of P-1 and F1+ (Moody's and Fitch, respectively).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Fiscal Year 2019 budget approved by the State Legislature included a $59.1 million statewide increase for higher education operations which includes $18.9 million additional funding for the University through the higher education allocation model. The budget for the University for Fiscal Year 2019, as approved by the Regents, increased approximately $228,250,000, or 5.3 percent.

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.

As discussed in previous years' MD&A, the University's operating loss continues to increase. For Fiscal Year 2018, the operating loss was $616,419,000, up from a loss of $559,424,000 in Fiscal Year 2017. For the second consecutive Fiscal Year, the University incurred a negative change in net position of $197,258,000 (prior to the impact of the adoption of Statement No. 75) compared to a negative change in net position of $107,943,000 in Fiscal Year 2017. The cause of the operating losses, negative change in net position, and the increases in both are directly attributable to the change in assumptions made by PERA in prior years to the state-wide defined-benefit pension plan. These changes added approximately $81,090,000 and $312,412,000 to operating expense in Fiscal Years 2018 and 2017. It is important to note that the changes in assumptions made by PERA do not have an impact on the University's cash flows, as contribution rates for employers and members remained unchanged.

As discussed in Note 15 to the financial statements, *Retirement Plans and Insurance Programs,* the Colorado General Assembly passed pension reform through Senate Bill 18-200 *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years* (the Bill). The Bill was signed into law by Governor Hickenlooper on June 4, 2018. The Bill makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability and thereby reach a 100 percent funded ratio within the next 30 years.

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2018 and 2017 *(in thousands)*

		2018		2017	
		University	*Component Unit*	*University*	*Component Unit*
Assets					
Current Assets					
Cash and cash equivalents (Note 2)	$	133,662	29,861	89,976	26,013
Investments (Note 3)		380,782	-	367,818	-
Accounts and loans receivable, net (Note 4)		388,376	28,853	354,661	31,934
Inventories		21,727	-	21,287	-
Other assets		4,552	724	4,646	539
Total Current Assets		**929,099**	**59,438**	**838,388**	**58,486**
Noncurrent Assets					
Investments (Note 3)		2,399,017	1,847,550	2,239,623	1,689,100
Assets held under split-interest agreements (Note 3)		-	42,573	-	42,750
Accounts and loans receivable, net (Note 4)		55,175	151,080	42,880	90,994
Other assets		19,985	8,406	23,602	8,017
Capital assets, net (Note 5)		3,603,091	1,435	3,530,562	1,583
Total Noncurrent Assets		**6,077,268**	**2,051,044**	**5,836,667**	**1,832,444**
Total Assets	**$**	**7,006,367**	**2,110,482**	**6,675,055**	**1,890,930**
Deferred Outflows					
Loss on bond refundings	$	58,727	-	54,427	-
PERA pension-related (Note 15)		448,973	-	641,350	-
Alternate medicare plan-related (Note 15)		9,977	-	11,141	-
Other postemployment benefits related (Note 7)		21,079	-	-	-
Total Deferred Outflows		**538,756**	**-**	**706,918**	**-**
Total Assets and Deferred Outflows	**$**	**7,545,123**	**2,110,482**	**7,381,973**	**1,890,930**
Liabilities					
Current Liabilities					
Accounts payable	$	137,964	5,222	129,894	13,775
Accrued expenses (Note 6)		119,711	-	265,292	-
Compensated absences (Note 6)		16,155	-	16,483	-
Unearned revenue (Note 8)		178,788	-	169,497	-
Early retirement incentive program (Note 15)		1,686	-	1,624	-
Split-interest agreements		-	2,619	-	2,604
Custodial funds		-	16,660	-	15,719
Commercial paper (Note 9)		40,000	-	-	-
Bonds, capital leases, and notes payable (Note 9)		85,353	-	80,746	-
Other liabilities (Note 10)		47,525	-	46,575	-
Total Current Liabilities	**$**	**627,182**	**24,501**	**710,111**	**32,098**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2018 and 2017 *(in thousands)*

		2018		2017	
		University	*Component Unit*	*University*	*Component Unit*
Noncurrent Liabilities					
Compensated absences (Note 6)	$	233,581	-	210,275	-
Unearned revenue (Note 8)		8,763	-	9,328	-
Early retirement incentive program (Note 15)		2,391	-	2,978	-
Split-interest agreements		-	20,319	-	21,060
Custodial funds		-	418,292	-	379,744
Bonds, capital leases, and notes payable (Note 9)		1,693,295	-	1,599,450	-
Other postemployment benefits (Note 7)		795,147	-	343,570	-
Alternate medicare plan (Note 15)		73,211	-	74,723	-
Net pension liability (Note 15)		2,206,541	-	2,049,366	-
Other liabilities (Note 10)		32,320	2,293	14,042	2,115
Total Noncurrent Liabilities		**5,045,249**	**440,904**	**4,303,732**	**402,919**
Total Liabilities	**$**	**5,672,431**	**465,405**	**5,013,843**	**435,017**
Deferred Inflows					
PERA pension-related (Note 15)	$	95,564	-	9,629	-
Alternate medicare plan-related (Note 15)		5,863	-	89	-
Other postemployment benefits related (Note 7)		117,695	-	-	-
Other		1,729	-	-	-
Total Deferred Inflows		**220,851**	**-**	**9,718**	**-**
Total Liabilities and Deferred Inflows	**$**	**5,893,282**	**465,405**	**5,023,561**	**435,017**
Net Position					
Net investment in capital assets	$	1,912,493	1,435	1,949,435	1,583
Restricted for nonexpendable purposes (endowments)					
Instruction		-	294,036	-	258,263
Research		21,718	32,921	22,180	31,175
Academic support		14,130	62,420	21,169	54,832
Scholarships and fellowships		11,180	186,173	13,883	172,818
Capital and other		1,590	30,862	1,158	29,734
Total restricted for nonexpendable purposes (Note 11)		48,618	606,412	58,390	546,822
Restricted for expendable purposes					
Instruction		133,288	249,689	102,065	215,468
Research		46,699	113,574	42,543	95,475
Academic support		38,863	307,480	41,193	235,019
Student loans and services		17,388	-	37,370	-
Scholarships and fellowships		45,420	186,527	42,155	164,248
Auxiliary enterprises		236,494	-	169,020	-
Capital		109,054	45,263	42,416	50,155
Other		58,903	67,774	60,098	87,246
Total restricted for expendable purposes		686,109	970,307	536,860	847,611
Unrestricted (Note 11)		(995,379)	66,923	(186,273)	59,897
Total Net Position	**$**	**1,651,841**	**1,645,077**	**2,358,412**	**1,455,913**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2018 and 2017 *(in thousands)*

		2018		*2017*	
		University	*Component Unit*	*University*	*Component Units*
Operating Revenues					
Student tuition (net of scholarship allowances of $194,754 in 2018 and $176,419 in 2017; net of bad debt of $2,579 in 2018 and $3,251 in 2017; pledged revenues of $959,996 in 2018 and $901,918 in 2017) (Note 9, 12 and 13)	$	959,996	-	901,918	-
Student fees (net of scholarship allowances of $18,345 in 2018 and $18,026 in 2017; net of bad debt of $162 in 2018 and $154 in 2017; pledged revenues of $7,932 in 2018 and $662 in 2017) (Note 9, 12 and 13)		89,562	-	90,676	-
Fee-for-service contracts (Note 12)		126,706	-	121,872	-
Federal grants and contracts (pledged revenues of $177,426 in 2018 and $156,270 in 2017) (Note 9)		731,884	-	695,067	-
State and local grants and contracts (pledged revenues of $16,066 in 2018 and $13,268 in 2017) (Note 9)		69,853	-	60,309	-
Nongovernmental grants and contracts		205,661	-	187,823	-
Sales and services of educational departments (net of bad debt of $40 in 2018 and $67 in 2017 (Note 9)		222,618	-	207,273	-
Auxiliary enterprises (net of scholarship allowances of $5,078 in 2018 and $4,244 in 2017; net of bad debt of $661 in 2018 and $986 in 2017; pledged revenues of $72,463 in 2018 and $74,832 in 2017) (Note 9 and 13)		284,034	-	283,007	-
Health services (net of bad debt of $42,843 in 2018 and $30,685 in 2017; pledged revenues of $10,375 in 2018 and $8,770 in 2017) (Note 9 and 14)		1,037,529	-	876,986	-
Contributions (Note 17)		-	248,613	-	186,603
Other operating revenues (net of bad debt of $1,188 in 2018 and $2,472 in 2017; pledged revenues of $5,185 in 2018 and $5,832 in 2017) (Note 9)		106,040	4,186	103,697	13,250
Total Operating Revenues		**3,833,883**	**252,799**	**3,528,628**	**199,853**
Operating Expenses					
Education and general					
Instruction		1,117,230	-	1,057,097	-
Research		700,330	-	664,476	-
Public service		131,790	-	116,661	-
Academic support		236,683	-	209,320	-
Student services		137,452	-	132,451	-
Institutional support		315,796	193,075	277,667	171,183
Operation and maintenance of plant		157,863	-	159,177	-
Student aid		29,564	-	21,688	-
Total education and general expenses		**2,826,708**	**193,075**	**2,638,537**	**171,183**
Depreciation (Note 5)		206,950	148	202,938	933
Auxiliary enterprises		463,862	-	413,393	-
Health services (Note 14)		952,782	-	833,184	-
Total Operating Expenses		**4,450,302**	**193,223**	**4,088,052**	**172,116**
Operating Income (Loss)	**$**	**(616,419)**	**59,576**	**(559,424)**	**27,737**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2018 and 2017 *(in thousands)*

		2018		2017	
		University	*Component Unit*	*University*	*Component Unit*
Nonoperating Revenues (Expenses)					
Federal Pell Grant	$	57,021	-	49,957	-
State appropriations (Note 12)		15,651	-	15,325	-
Gifts		198,386	-	181,049	-
Investment income (net of investment expenses of $13,400 in 2018 and $9,905 in 2017)		160,106	129,588	206,294	156,572
Loss on disposal of capital assets		(2,692)	-	(3,597)	-
Interest expense on capital asset-related debt (including amortization of deferred loss of $9,467 in 2018 and $9,878 in 2017 (Note 5)		(66,721)	-	(67,039)	-
Bond issuance costs		(2,350)	-	(579)	-
Other nonoperating revenues (pledged revenues of $2,183 in 2018 and $1,704 in 2017) (Note 9)		31,601	-	17,041	-
Total Nonoperating Revenues (Expenses)		**391,002**	**129,588**	**398,451**	**156,572**
Income (Loss) Before Other Revenues		**(225,417)**	**189,164**	**(160,973)**	**184,309**
Other Revenues					
Capital student fee (net of scholarship allowance of $3,920 in 2018 and $1,975 in 2017; pledged revenue of $17,250 in 2018 and $10,203 in 2017) (Note 9 and Note 13)		17,250	-	10,203	-
Capital appropriations (Note 12)		3,643	-	33,441	-
Capital grants and gifts		17,038	-	10,194	-
Transfers of permanent endowments		(9,772)	-	-	-
Total Other Revenues		**28,159**	**-**	**53,838**	**-**
Change in net position before special item		**(197,258)**	**189,164**	**(107,135)**	**184,309**
Special Item - Transfer from CUREF		-	-	(808)	-
Change in net position after special item		**(197,258)**	**189,164**	**(107,943)**	**184,309**
Net Position, beginning of year		2,358,412	1,455,913	2,512,995	1,271,604
Cumulative effect of adoption of new accounting principle (Note 1)		(509,313)	-	(46,640)	-
Net Position, beginning of year, as restated		**1,849,099**	**1,455,913**	**2,466,355**	**1,271,604**
Net Position, End of Year	**$**	**1,651,841**	**1,645,077**	**2,358,412**	**1,455,913**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017 *(in thousands)*

		2018	2017
		University	
Cash Flows from Operating Activities			
Tuition and fees	$	1,177,113	1,120,424
Grants and contracts		995,884	997,650
Sales and services of educational departments		222,618	207,273
Auxiliary enterprise charges		300,377	276,669
Health services		989,732	862,086
Other receipts		144,618	122,206
Payments to employees and benefits		(3,236,673)	(2,830,463)
Payments to suppliers		(596,939)	(575,428)
Payments for scholarships and fellowships		(29,564)	(21,688)
Total Cash Flows Provided by (Used for) Operating Activities		**(32,834)**	**158,729**
Cash Flows from Noncapital Financing Activities			
Federal Pell Grant		57,021	49,957
State appropriations		15,651	15,325
Gifts and grants for other than capital purposes		198,386	181,049
Endowment transfers		(9,772)	-
Agency transactions		182	31,237
Direct lending receipts		396,662	385,474
Direct lending disbursements		(397,016)	(386,128)
Total Cash Flows Provided by Noncapital Financing Activities		**261,114**	**276,914**
Cash Flows from Capital and Related Financing Activities			
State capital contributions		3,643	33,441
Capital student fees		17,250	10,203
Proceeds from capital debt		568,325	141,437
Bond issuance costs paid		(2,350)	(579)
Principal paid on capital debt, leases and notes		(382,160)	(136,563)
Interest paid on capital debt, leases and notes		(121,048)	(77,601)
Proceeds from sale of capital assets		10,004	28,049
Purchases and construction of capital assets		(266,983)	(391,659)
Total Cash Flows Used for Capital and Related Financing Activities		**(173,319)**	**(393,272)**
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments		6,091,864	4,526,658
Purchase of investments		(6,199,235)	(4,647,517)
Investment earnings		96,096	80,459
Total Cash Flows Used for Investing Activities		**(11,275)**	**(40,400)**
Net Increase in Cash and Cash Equivalents		**43,686**	**1,971**
Cash and cash equivalents, beginning of year		89,976	88,005
Cash and Cash Equivalents, End of Year	**$**	**133,662**	**89,976**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017 *(in thousands)*

		2018	2017
		University	
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss	$	(616,419)	(559,424)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense		206,950	202,938
Receipts of items classified as nonoperating revenues		31,601	17,041
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Receivables		(43,870)	31,321
Inventories		(440)	(382)
Other assets		3,711	(12,766)
PERA pension, AMP, and OPEB-related deferred outflows		190,960	(516,942)
Accounts payable		(905)	17,724
Accrued expenses		(145,714)	21,742
Unearned revenue		8,725	9,318
Compensated absences and other postemployment benefits		(51,551)	77,167
Net pension liability		157,175	873,775
Alternate medicare plan and early retirement incentive plan		(2,037)	13,863
Other liabilities		21,280	(2,534)
PERA pension, AMP, and OPEB-related deferred inflows		207,700	(14,112)
Net Cash Provided by (Used for) Operating Activities	**$**	**(32,834)**	**158,729**

Noncash Transactions			
Donations of capital assets	$	1,961	2,126
Lease-financed acquisitions		795	295
Change in unrealized gains on investments		(64,992)	125,538
Amortization of premiums		48,553	16,042
Amortization of deferred loss		(9,467)	(8,150)

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 (CU Denver | Anschutz)**

  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 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, master's, and doctoral degree programs.

To accomplish its mission, the University has over 7,200 instructional faculty serving over 65,000 students through 467 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 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 of Colorado Medicine (CU Medicine)**

University Physicians, Inc. d/b/a CU Medicine, is a Colorado non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, organized to perform the billing, collection, and disbursement functions for professional services rendered for CU Anschutz as authorized in Section 23-20-114 of the Colorado Revised Statutes (C.R.S.). CU Medicine is the School of Medicine's (SOM) faculty practice plan with approximately 3,300 member providers. CU Medicine does not employ physicians or practice medicine directly; it provides the business and administrative support for the clinical faculty employed by the SOM. The members' primary sites of practice are at the UCHealth University of Colorado Hospital (UCH) and Children's Hospital Colorado (Children's Colorado), but members also provide limited clinical services at multiple hospital and clinic sites throughout the region, including other UCHealth locations, the National Jewish Medical and Research Center, the Veterans Administration Medical Center, and Denver Health and Hospital Authority. The majority of patients cared for reside within the Denver metropolitan area.

The University appoints a majority of CU Medicine's governing body, and is able to impose its will. Additionally, CU Medicine exclusively benefits the University by providing the services described above.

Beginning in fiscal year 2018, CU Medicine participated in a federally funded program available to physicians employed by state-owned medical schools. The Colorado Department of Health Care Policy & Financing (HCPF) filed a proposed state Medicaid plan amendment with the Centers for Medicare and Medicaid Services (CMS) on behalf of CU Medicine and the School of Medicine (SOM) to secure access to this program. The supplemental payment program is designed to expand patient access by providing enhanced payments to physicians and other qualifying providers. In July 2017, HCPF's filing was approved by CMS and under the terms of the approved program, CU Medicine received $62.0 million in supplemental payments during Fiscal Year 2018. The supplemental funding will be used to maintain and increase patient access to CU Medicine's services and for other programs defined in collaboration with HCPF, and is included in health services revenue in the University's financial statements.

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

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

Incorporated in 2015 with operations starting in Fiscal Year 2017, CUPCO receives, holds, invests, and administers real and personal property for the benefit of the University. CUPCO carries out its real estate investing activities through direct ownership, management, and operation of certain real estate assets. 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.

Under transfer agreements effective July 1 and July 13, 2016 between CUPCO and Land Holding Venture, LLC, an entity formerly wholly owned by the University of Colorado Real Estate Foundation (CUREF), a discretely presented component unit of the University in Fiscal Year 2017, CUPCO obtained ownership of various vacant land holdings, a residential home, and an option agreement to purchase vacant land. On December 12, 2016, CUREF agreed to transfer ownership of Campus Village Apartments, LLC (CVA), to CUPCO, which included property and land, other assets, and the obligation of the Series 2008 Student Housing Revenue Bonds associated with CVA. The transfer of CVA occurred on December 31, 2016.

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.

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

- **18th Avenue, LLC (18th Avenue)**

  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 was 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.

  Under a transfer agreement between the University and CUREF, the University was assigned the sole membership interest in 18th Avenue, which owns the real property, including the office building and related improvements, located at 1800 Grant Street (which houses the CU System offices), along with the existing loan encumbering the property. The transfer of 18th Avenue occurred on July 31, 2016.

Discretely Presented Component Unit

The University's financial statements include a supporting organization as a discretely presented component unit (DPCU) of the University. The majority of the resources, or income thereon that the supporting organization holds and invests, are restricted to the activities of the University by the donors.

Because these restricted resources held by the supporting organization can only be used by, or for the benefit of, the University, the following supporting organization is considered a 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-officio 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.

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable nor 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.

- UCHealth University of Colorado Hospital (UCH)
- 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(1) 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, 2018 and 2017.

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. CU Medicine 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, 2018 and 2017. Contract value is used for the guaranteed investment agreement and 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 (which includes unspent bond proceeds), 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 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 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. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Included in the investments portfolio are real estate and note receivable assets. These assets are stated 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, and an option to purchase land.

Capital Assets are stated at cost at the date of acquisition or at acquisition 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 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. Beginning July 1, 2017, interest was no longer capitalized (see *Adoption of New Accounting Standards* section of Note 1). Software, both externally purchased and internally developed, with a value of $5,000 or more is capitalized.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or acquisition 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.

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 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. 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 post-retirement healthcare and life insurance benefits for retired employees. Substantially all University employees may become eligible for those benefits if they reach normal retirement age while working for the University. The University participates in both a single-employer plan as well as a cost-sharing plan. The University's contributions to the single-employer plan are made on a pay-as-you-go basis, and are set by statute for the cost-sharing plan. The University's liability is measured as the portion of the present value of projected benefit payments to be provided to active and inactive employees that is attributable to those employees' past period of service, less the amount of the plan's fiduciary net position, based on actuarial valuations. See Note 7 for more information on both plans.

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, the Federal share of Perkins Loans, and miscellaneous.

Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statement of net position includes both the loans receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Deferred Outflows of Resources and Deferred Inflows of Resources. Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. For the University, refunds related to debt defeasance are included in deferred outflows of resources. The deferred amount will be amortized over the remaining life of the debt refunded. Changes in net pension liability not included in pension expense, and changes in net OPEB liability not included in OPEB expense, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date are reported as deferred outflows of resources.

Net Pension Liability is the liability of the University, the employer, to employees for the PERA defined-benefit pension plan, which is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position.

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 CU Medicine.

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 CU Medicine 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, CU Medicine 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 CU Medicine's medically indigent care policy as reimbursed with funds provided by the State processed by UCH, and co-payments made by care recipients. In accordance with CU Medicine's mission and philosophy, CU Medicine 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, 2018 and 2017, the authorized spending rate was equal to 4 percent of the endowment's trailing 36-month average fair market value as of December 31 for the year preceding the distribution.

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, 2018 and 2017, there was $16,111,000 and $15,045,000, 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

Effective July 1, 2017, the University adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75). Statement No. 75 replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* (Statement No. 45). Statement No. 75 addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

The University participates in two types of OPEB plans – a single employer plan and a cost-sharing plan administered by the Public Employees' Retirement Association of Colorado (PERA). Statement No. 75 requires the liability of employers for defined benefit (net OPEB liability) to be actuarially measured as the portion of the present value of projected benefit payments to be provided to active and inactive employees that is attributable to those employees' past period of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The University does not maintain assets in a trust for the single-employer plan so the total OPEB liability and net OPEB liability are equal.

As of June 30, 2017 (Fiscal Year 2017), the University recorded an OPEB liability of $343,570,000 for its single-employer plan based on the guidance prescribed in Statement No. 45. The adoption of Statement No. 75 increased the estimated OPEB liability for the single employer plan at July 1, 2017 to $820,297,000. The increase in the OPEB liability and corresponding decrease in unrestricted net position offset by contributions made after the measurement date has been recorded as a cumulative effect adjustment in Fiscal Year 2018 of $459,516,000. Statement No. 75 was not implemented retroactively as information required from PERA for the cost-sharing plan was not available.

As noted above, the University also participates in PERA's postemployment benefit plan referred to as PERACare, which is a cost-sharing multiple-employer defined benefit plan. As such, the University is now required to record its proportionate share of the unfunded liability for this plan. As of July 1, 2017, the net OPEB liability for PERACare per PERA was $1,297,000,000. The University's proportionate share, based on its contributions to the plan in relation to total plan contributions was $49,379,000. PERA's fiscal year end is December 31 and contributions subsequent to that date are considered a deferred outflow for financial reporting purposes. The University's deferred outflow related to PERACare at July 1, 2017 was $1,287,000, resulting in a decrease to beginning unrestricted net position of $48,092,000, which is reported as part of the cumulative effect of adoption of Statement No. 75.

The University also adopted the provisions of GASB Statement No. 81 *Irrevocable Split-Interest Agreements* (Statement No. 81) effective July 1, 2017. Statement No. 81 requires a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, Statement No. 81 requires a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party. The impact of adoption of Statement No. 81 was a decrease of $1,705,000 to beginning net position restricted for nonexpendable purposes. Fiscal Year 2017 was not adjusted for the adoption of Statement No. 81 as the amount is not considered material to the University's financial statements.

In summary, the adoption of these standards resulted in the following changes to beginning net position, OPEB liability, and deferred outflows and inflows of resources:

Table 1.3. Impact of New Accounting Statements *(in thousands)*

Beginning net position, as previously reported	$	2,358,412
GASB 75 implementation		
Reversal of OPEB under GASB 45		343,570
Less: beginning balance of University OPEB plan		(820,297)
Less: beginning balance of PERACare		(49,379)
Plus related deferred outflows		18,498
GASB 81 implementation		
Less: related deferred inflow		(1,705)
Cumulative effect of adoption of new accounting standards		(509,313)
Beginning net position, as restated	**$**	**1,849,099**

Effective July 1, 2017, the University early-implemented the provisions of GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* (Statement No. 89). Statement No. 89 requires interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. Statement No. 89 is to be applied prospectively so there is no prior period adjustment. Approximately $10,198,000 of interest cost that would have been capitalized under previous guidance was expensed in Fiscal Year 2018.

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)***

		2018	2017
Cash on hand (petty cash and change funds)	$	352	370
Deposits with U.S. financial institutions		133,286	89,534
Deposits with foreign financial institutions		24	72
Total Cash and Cash Equivalents – University	**$**	**133,662**	**89,976**

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. As of June 30, 2018 and 2017, $212,000 and $688,000, respectively, of the cash held by CUPCO was uninsured and uncollateralized. 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, 2018 and 2017, 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, money market funds, municipal and corporate bonds, asset-backed securities, mutual funds, collective investment trust funds, repurchase agreements, corporate equities 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 $1,769,447,000 and $1,718,163,000 for the years ended June 30, 2018 and 2017, respectively. The total return on this pool (excluding blended component units) was 7.32 percent and 9.99 percent for the years ended June 30, 2018 and 2017, 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 Measurement and Application* (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 two 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. Redemption frequencies for these funds range from one to 30 days and there were no unfunded commitments as of June 30, 2018 and 2017.

The fair value measurements as of June 30, 2018 and June 30, 2017 for the University are included in Table 3.1.

Table 3.1. Investments - University (*in thousands*)

Investment Type		Level 1	Level 2	Level 3	2018 Total
U.S. government securities	$	262,537	243,653	2,115	508,305
Corporate bonds		74,977	238,208	202	313,387
Corporate equities		5,526	-	-	5,526
Mortgages		47,696	94,401	-	142,097
Municipal bonds		108	15,171	-	15,279
Mutual funds		808,441	1,269	214	809,924
Certificates of deposit		240	-	-	240
CU Foundation		-	-	428,310	428,310
Asset-backed securities		1,356	80,804	814	82,974
Alternative non-equity securities:					
Real estate		397	46	9	452
		1,201,278	673,552	431,664	2,306,494
Measured at NAV:					
Equity trusts					244,379
Measured at amortized cost:					
Money market funds					223,111
Measured at cost:					
Private equity securities					650
Measured at contract value:					
Guaranteed investment agreement					5,165
Total Investments – University					**$ 2,779,799**

Investment Type		Level 1	Level 2	Level 3	2017 Total
U.S. government securities	$	218,024	81,210	-	299,234
Corporate bonds		59,508	223,336	-	282,844
Corporate equities		3,410	-	-	3,410
Mortgages		31,391	67,913	-	99,304
Municipal bonds		-	16,238	-	16,238
Mutual funds		626,557	164	166	626,887
CU Foundation		-	-	391,721	391,721
Asset-backed securities		1,675	107,907	906	110,488
Alternative non-equity securities:					
Absolute return fund		105	31	-	136
Real estate		319	-	5	324
Other		-	-	10	10
		940,989	496,799	392,808	1,830,596
Measured at NAV:					
Fixed income trusts					42,923
Equity trusts					346,474
Measured at amortized cost:					
Money market funds					362,057
Measured at contract value:					
Guaranteed investment agreement					5,165
Investments not requiring fair value:					
Repurchase agreements					20,226
Total Investments – University					**$ 2,607,441**

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

Table 3.2. Investments - CU Foundation (*in thousands*)

Investment Type		2018	2017
Cash equivalents	$	12,286	31,069
Equity securities:			
Domestic		359,814	354,928
International		484,965	443,189
Fixed-income securities		199,581	205,382
Alternative non-equity securities:			
Real estate		70,343	70,818
Private equity		348,137	283,742
Hedge funds		-	23,789
Absolute return funds		257,316	176,029
Venture capital		96,753	67,477
Commodities		12,239	30,424
Other		6,116	2,253
Total Investments – CU Foundation	**$**	**1,847,550**	**1,689,100**

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. The private equity securities held by ULEHI $650,000 are exposed to custodial credit risk. None of the University's other 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, 2018, and 2017 is shown in Table 3.3. The University, which includes CU Medicine, 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. Table 3.3 is a subset of Table 3.1 and does not include $1,416,009,000 of non-debt securities and $413,801,000 of debt investments that are backed by the full faith and credit of the U.S. government as of June 30, 2018, and does not include $1,269,221,000 of non-debt securities and $211,857,000 of debt investments that are backed by the full faith and credit of the U.S. government as of June 30, 2017.

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

Investment Type	2018				2017			
		Unrated	Rated			Unrated	Rated	
		Fair Value	Fair Value	% of Rated Value by Credit Rating		Fair Value	Fair Value	% of Rated Value by Credit Rating
U.S. government securities	$	129,820	106,781	100% Aaa/Aa	$	77,348	109,333	100% Aaa
Bond mutual funds		50,221	-	-		133,189	-	-
Certificates of deposit		240	-	-		-	-	-
Corporate bonds		44,048	269,339	62% Aaa/Aa/A		51,732	231,112	57% Aaa/Aa/A
				37% Baa/Ba/B				42% Baa/Ba/B
				1% C/D				1% C/D
Money market mutual funds		-	246,122	100% Aaa		-	371,532	100% Aaa
Municipal bonds		627	14,652	82% Aaa		429	15,809	76% Aaa
				18% Aa/A				24% Aa/A
Repurchase agreements		-	-	-		20,226	-	-
Guaranteed investment agreement		-	5,165	100% Aa3		-	5,165	100% Aa3
Asset-backed securities		779	82,195	88% Aaa		725	109,763	70% Aaa
				6% Aa/A				25% Aa/A
				5% Baa/Ba/B				4% Baa/Ba/B
				1% Caa/Ca				1% Caa/Ca
Total Debt Investments	**$**	**225,735**	**724,254**		**$**	**283,649**	**842,714**	

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 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, 2018 and 2017 is shown in Table 3.4. Table 3.4 is a subset of Table 3.1 and does not include $1,662,131,000 of non-debt securities as of June 30, 2018, and does not include $1,640,753,000 of non-debt securities as of June 30, 2017. 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. government 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.

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

Investment Type	2018			2017		
University		Amount	Weighted Average Maturity		Amount	Weighted Average Maturity
U.S. government securities	$	508,304	6.33	$	299,233	9.71
Bond mutual funds		50,221	5.34		133,189	3.51
Certificates of deposit		240	2.34		-	-
Corporate bonds		313,387	7.96		282,844	8.36
Municipal bonds		15,279	8.92		16,238	9.31
Repurchase agreements		-	-		20,226	1.50
Guaranteed investment agreement		5,165	0.09		5,165	20.93
Fixed rate asset-backed securities		62,037	5.27		94,278	5.20
Variable rate asset-backed securities		20,937	21.53		16,210	21.68
Collateralized mortgage obligations		142,098	10.55		99,305	13.67
Total Debt Investments – University	**$**	**1,117,668**		**$**	**966,688**	

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.

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, 2018 and 2017, as shown in Table 3.5.

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

Type		2018	2017
Assets held in charitable remainder trusts	$	36,339	36,198
Assets held in charitable lead trusts		2,738	3,054
Assets held in life interest in real estate		3,330	3,330
Assets held in pooled income funds		166	168
Total Investments Held under Split-interest Agreements	**$**	**42,573**	**42,750**

NOTE 4 – ACCOUNTS AND LOANS RECEIVABLE

Table 4.1 segregates receivables as of June 30, 2018 and 2017, by type.

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

		2018			
Type of Receivable		**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University					
Student accounts	$	69,436	23,751	45,685	45,593
Federal government		43,434	-	43,434	43,434
Other governments		53,969	-	53,969	53,969
Private sponsors		60,013	-	60,013	60,013
Patient accounts		169,453	16,937	152,516	152,516
CU Foundation		4,832	-	4,832	4,832
Interest		3,598	-	3,598	3,598
Direct financing lease		20,460	-	20,460	17,952
PAC-12 distribution		3,763	-	3,763	3,763
Other		17,400	1,165	16,235	264
Total accounts receivable		446,358	41,853	404,505	385,934
Loans		41,942	2,896	39,046	2,442
Total Receivable – University	**$**	**488,300**	**44,749**	**443,551**	**388,376**

		2017			
Type of Receivable		**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University					
Student accounts	$	70,129	25,849	44,280	44,280
Federal government		67,114	-	67,114	67,114
Other governments		31,137	-	31,137	31,137
Private sponsors		49,955	-	49,955	49,938
Patient accounts		112,198	7,480	104,718	104,717
CU Foundation		13,295	-	13,295	13,295
Interest		2,851	-	2,851	2,851
Direct financing lease		21,500	-	21,500	751
PAC-12 distribution		4,276	-	4,276	4,276
Other		21,918	1,158	20,760	20,760
Total accounts receivable		394,373	34,487	359,886	339,119
Loans		40,949	3,294	37,655	15,542
Total Receivable – University	**$**	**435,322**	**37,781**	**397,541**	**354,661**

CONCENTRATION OF CREDIT RISK – PATIENT ACCOUNTS

CU Medicine grants credit without collateral to its patients. The mix of gross receivables from patients and third-party payers as of June 30, 2018 and 2017 is detailed in Table 4.2.

Table 4.2. CU Medicine Concentration of Credit Risk

Category	2018	2017
Managed care	44.8 %	49.3 %
Medicare	15.7	13.8
Medicaid	16.7	26.5
Other third-party payers	8.5	6.5
Self-pay	14.3	3.9
Total	**100.0 %**	**100.0 %**

NOTE 5 – CAPITAL ASSETS

Table 5 presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2018 and 2017.

Interest expense related to capital asset debt incurred by the University during the years ended June 30, 2018 and 2017 approximated $66,721,000 and $69,808,000, respectively. Of this amount, approximately $2,769,000 was capitalized as part of the value of construction in progress in Fiscal Year 2017, prior to the adoption of Statement No. 89 in Fiscal Year 2018.

The University had insurance recoveries of $1,707,000 and $1,930,000 in the years ended June 30, 2018 and 2017, respectively, which are included in nonoperating revenues.

Table 5. Capital Assets *(in thousands)*

Category		2017	Additions	Retirements/ Adjustments	Transfers	2018
Nondepreciable capital assets						
Land	$	84,964	1,561	600	-	85,925
Construction in progress		320,025	224,648	9,022	(186,714)	348,937
Collections		17,672	989		-	18,661
Total nondepreciable capital assets		422,661	227,198	9,622	(186,714)	453,523
Depreciable capital assets						
Buildings		4,007,406	1,359	462	137,346	4,145,649
Improvements other than buildings		259,135	19	870	43,273	301,557
Equipment		546,890	44,280	22,490	6,095	574,775
Software		92,655	3,556	513	-	95,698
Other intangibles		1,910	-	-	-	1,910
Library and other collections		395,879	15,761	2,678	-	408,962
Total depreciable capital assets		5,303,875	64,975	27,013	186,714	5,528,551
Less accumulated depreciation						
Buildings		1,303,510	131,308	189	-	1,434,629
Improvements other than buildings		125,961	11,846	823	-	136,984
Equipment		400,165	41,672	20,113	-	421,724
Software		81,008	4,255	138	-	85,125
Other intangibles		402	76	-	-	478
Library and other collections		284,928	17,793	2,678	-	300,043
Total accumulated depreciation		2,195,974	206,950	23,941	-	2,378,983
Net depreciable capital assets		3,107,901	(141,975)	3,072	186,714	3,149,568
Total Net Capital Assets	**$**	**3,530,562**	**85,223**	**12,694**	**-**	**3,603,091**

Table 5. Capital Assets *(in thousands)*

Category		2016	Additions	Retirements/ Adjustments	Transfers	2017
Nondepreciable capital assets						
Land	$	65,374	19,634	44	-	84,964
Construction in progress		274,770	252,872	7,764	(199,853)	320,025
Collections		17,281	598	207	-	17,672
Total nondepreciable capital assets		357,425	273,104	8,015	(199,853)	422,661
Depreciable capital assets						
Buildings		3,766,705	57,191	11	183,521	4,007,406
Improvements other than buildings		251,963	975	5,020	11,217	259,135
Equipment		504,054	54,141	16,420	5,115	546,890
Software		90,802	1,853	-	-	92,655
Other intangibles		1,910	-	-	-	1,910
Library and other collections		379,155	19,289	2,565	-	395,879
Total depreciable capital assets		4,994,589	133,449	24,016	199,853	5,303,875
Less accumulated depreciation						
Buildings		1,158,302	128,609	(15,164)	1,435	1,303,510
Improvements other than buildings		116,768	12,720	2,092	(1,435)	125,961
Equipment		371,419	39,504	10,758	-	400,165
Software		76,816	4,165	(27)	-	81,008
Other intangibles		324	-	(78)	-	402
Library and other collections		269,794	17,940	2,806	-	284,928
Total accumulated depreciation		1,993,423	202,938	387	-	2,195,974
Net depreciable capital assets		3,001,166	(69,489)	23,629	199,853	3,107,901
Total Net Capital Assets	**$**	**3,358,591**	**203,615**	**31,644**	**-**	**3,530,562**

NOTE 6 – ACCRUED EXPENSES AND COMPENSATED ABSENCES

Table 6.1 details the accrued expenses as of June 30, 2018 and 2017 by type.

Table 6.1 Accrued Expenses *(in thousands)*

Type		2018	2017
University			
Accrued salaries and benefits	$	113,654	259,583
Accrued interest payable		4,403	4,270
Other accrued expenses		1,654	1,439
Total Accrued Expenses	**$**	**119,711**	**265,292**

Table 6.2 presents changes in compensated absences for the years ended June 30, 2018 and 2017.

Table 6.2 Compensated Absences (*in thousands*)

		2018	2017
Beginning of year	$	226,758	204,028
Additions		277,138	226,573
Reductions		(254,160)	(203,843)
End of year	**$**	**249,736**	**226,758**
Current compensated absences		16,155	16,483

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The University participates in two types of OPEB plans – a single employer plan and a cost-sharing plan administered by PERA.

The University-administered single-employer postemployment benefit (non-pension) 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 for retirees on a pay-as-you-go basis. This program does not issue a separate financial report. As mentioned in Note 1, the University adopted the provisions of Statement No. 75 in Fiscal Year 2018.

Funded Status and Funding Progress. There are no assets accumulating in a trust for the University's OPEB plan. The University contributed $19,304,000 and $17,211,000 for the years ended June 30, 2018 and 2017, respectively.

The actuarial valuation for the fiscal year ending June 30, 2018 had a measurement date of June 30, 2017. All employees are eligible based on age and years of service. Based on the March 1, 2017 participant data, there were 19,146 participants in the medical/dental plan, with 17,143 active employees and 2,003 retirees and beneficiaries, and 23,984 participants in the life insurance plan, with 20,315 active employees and 3,669 retirees and beneficiaries.

The University recognized $59,631,000 in OPEB expense for this plan in Fiscal Year 2018. Table 7.1 provides the details regarding the University's total OPEB plan liability from June 30, 2017 to June 30, 2018.

Table 7.1. Reconciliation of University's OPEB Liability *(in thousands)*

		Total OPEB Liability
Balance recognized at June 30, 2017	$	343,570
Cumulative effect of adoption of new accounting principle		476,727
Changes recognized for the fiscal year:		
Service cost		53,099
Interest on total OPEB liaibility		24,648
Differences between expected and actual experience		(87,654)
Changes of assumption		(46,406)
Benefit payments		(17,211)
Net changes		(73,524)
Balance recognized at June 30, 2018		
(based on June 30, 2017 measurement date)	$	746,773

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. 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 entry age normal actuarial cost method is used. The discount rate used in the valuation is 3.60 percent as of the June 30, 2017 measurement date, and 2.85 percent as of the June 30, 2016 measurement date, and is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. 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 7.00 percent long-term average increase for medical benefits, and an 11 percent increase for prescriptions, both trending down to a 4.50 percent increase for 2027 and later years. The dental trend rate is 4.00 percent, and the administrative expenses trend rate is 3.00 percent. The RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to the rates for ages below 80 and a 108 percent factors applied to the rates for ages 80 and above, projected to 2018 using the MP-2015 projection scale for males, and a 78 percent factor applied to the rates for ages below 80 and a 109 percent factor applied to the rates for ages 80 and above, projected to 2020 using the MP-2015 projection scale for females.

The valuation reflects the following assumption changes from the June 30, 2016 measurement date to the June 30, 2017 measurement date:

- Interest rate changed from 2.85 percent to 3.60 percent
- Health care trend rates were changed as noted above and detailed in the actuarial report
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females for PERA participants
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
    - Mortality rates
    - Withdrawal rates
    - Retirement rates (apply to PERA participants only)

Table 7.2 illustrates the impact of interest rate sensitivity on the University's total OPEB liability for the fiscal year ending June 30, 2018.

Table 7.2. Sensitivity of University's Total OPEB Liability *(in thousands)*

		1% Increase (4.6%)	Discount Rate (3.6%)	1% Decrease (2.6%)
1% decrease in Health Care Trend Rates	$	552,706	630,561	725,579
Health Care Trend Rates		647,343	746,773	869,745
1% increase in Health Care Trend Rates		767,054	895,755	1,057,191

Table 7.3 illustrates the deferred outflows and inflows of resources as of June 30, 2018.

Table 7.3. University's OPEB Deferred Outflows and Inflows *(in thousands)*

		2018	
		Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$	-	75,809
Changes in assumptions		-	40,135
Contributions subsequent to the measurement date		19,304	-
Total	**$**	**19,304**	**115,944**

Between the June 30, 2017 measurement date of the University's total OPEB liability and the University's June 30, 2018 reporting date, the University made contributions of $19,304,000 during Fiscal Year 2018 that impacted the total OPEB liability and were treated as a deferred outflow of resources.

Table 7.4 lists the amortization bases included in the University's OPEB deferred outflows and inflows of resources as of June 30, 2018.

Table 7.4. Amortization of University's OPEB Deferred Outflows and Inflows *(in thousands)*

Date Established	Type of Base	Period Original	Period Remaining		Balance Original	Balance Remaining	Annual Amortization
July 1, 2017	Differences between expected and actual experience	7.4	6.4	$	(87,654)	(75,809)	(11,845)
July 1, 2017	Changes in assumptions	7.4	6.4		(46,406)	(40,135)	(6,271)
	Total			**$**	**(134,060)**	**(115,944)**	**(18,116)**

The deferred outflow from contributions subsequent to the measurement date of $19,304,000 will be recognized as a reduction to the University's OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows related to the University's OPEB liability will be recognized in OPEB expense as summarized in Table 7.5.

Table 7.5. Future Amortization of University's OPEB Deferred Inflows *(in thousands)*

Years ending June 30:		
2019	$	(18,116)
2020		(18,116)
2021		(18,116)
2022		(18,116)
2023		(18,116)
2024-2025		(25,364)
Total	**$**	**(115,944)**

Prior to the adoption of Statement No. 75, the University only recorded a liability for the annual required contribution (ARC) not funded under Statement No. 45. As of June 30, 2017, based on the July 1, 2016 actuarial valuation, the unfunded actuarial accrued liability was $625,035,000. For the year ended June 30, 2017, the annual OPEB cost was $69,366,000. The University contributed $14,929,000, which was 21.5 percent of the annual OPEB cost. The net OPEB obligation was $343,570,000. The actuarial method used was the projected unit credit cost method and the discount rate used was 4.5 percent. The Unfunded Actuarial Accrued Liability (UAAL) was being amortized straight-line over a closed period of 30 years. Table 7.6 presents changes in the University's OPEB plan for the year ended June 30, 2017.

Table 7.6. University's OPEB (*in thousands)*

		2017
Annual required contribution (ARC)	$	74,105
Interest on net obligation		13,011
Adjustment to ARC		(17,750)
Annual OPEB expense		69,366
Estimated benefit payments		(14,929)
Increase in OPEB		54,437
Beginning of year		289,133
End of year	**$**	**343,570**

PERA HEALTH CARE TRUST FUND

As noted earlier, the University contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description. The HCTF is established under Title 24, Article 51, Part 12 of the C.R.S., as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year of service less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the University were $3,345,000 for the year ended June 30, 2018.

At June 30, 2018, the University reported a liability of $48,374,000 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the University's proportion was 3.72 percent, which was a decrease from 3.81 percent as of December 31, 2016. For the year ended June 30, 2018, the University recognized OPEB expense of $3,602,000. Table 7.7 details the sources of the University's deferred outflows of resources and deferred inflows of resources related to PERA's OPEB plan.

Table 7.7. PERA's OPEB Deferred Outflows and Inflows *(in thousands)*

		2018	
		Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	$	228	-
Net difference between projected and actual earnings on OPEB plan investments		-	809
Changes in proportion share		-	936
Difference between contributions recognized and proportionate share of contributions		-	6
Contributions subsequent to the measurement date		1,547	-
Total	**$**	**1,775**	**1,751**

$1,547,000 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERA's OPEB that will be recognized in OPEB expense are summarized in Table 7.8.

Table 7.8. Future Amortization of PERA's OPEB Deferred Outflows and Inflows *(in thousands)*

Years ending June 30:		
2019	$	(342)
2020		(342)
2021		(342)
2022		(342)
2023		(142)
2024		(13)
Total	**$**	**(1,523)**

Actuarial assumptions. PERA's total OPEB liability in the December 31, 2016 actuarial valuation was determined using the actuarial cost method, actuarial assumptions and other inputs detailed in Table 7.9.

Table 7.9. PERA OPEB Actuarial Assumptions - December 31, 2016

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in Table 7.10.

Table 7.10. PERA's OPEB Health Care Cost Trend Rates

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in Table 7.11.

Table 7.11. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

In setting the long-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 7.25 percent.

Table 7.12 presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

Table 7.12. Sensitivity of the University's Proportionate Share of PERA's Net OPEB Liability to Changes in the Health Care Cost Trend Rates *(in thousands)*

		2018		
		1% Decrease in Trend Rates	**Current Trend Rates**	**1% Increase in Trend Rates**
PERACare Medicare trend rate		4.00%	5.00%	6.00%
Initial Medicare Part A trend rate		2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate		3.25%	4.25%	5.25%
Net OPEB Liability	**$**	**47,043**	**48,374**	**49,977**

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

- 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 3.50 percent.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- 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.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Table 7.13 presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate.

Table 7.13. Sensitivity of the University's Proportionate Share of PERA's Net OPEB Liability to Changes in the Discount Rate *(in thousands)*

		2018		
		1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	$	54,387	48,374	43,241

OPEB plan fiduciary net position. Detailed information about the HCTF'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.

NOTE 8 – UNEARNED REVENUE

As of June 30, 2018 and 2017, the types and amounts of Unearned revenue are shown in Table 8.

Table 8. Unearned Revenue *(in thousands)*

		2018		2017	
Type		**Total**	**Current**	**Total**	**Current**
University					
Tuition and fees	$	38,791	38,791	36,628	36,628
Auxiliary enterprises		28,782	28,757	12,440	10,993
Grants and contracts		101,902	101,902	104,206	104,206
Miscellaneous		18,076	9,338	25,551	17,670
Total Unearned Revenue	**$**	**187,551**	**178,788**	**178,825**	**169,497**

NOTE 9 – BONDS, CAPITAL LEASES, AND NOTES PAYABLE

As of June 30, 2018 and 2017, the categories of long-term obligations are summarized in Table 9.1.

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

Type	**Interest Rates**	**Final Maturity**		**2018**	**2017**
Enterprise system revenue bonds (including premium of $140,206 in 2018 and $132,044 in 2017)	0.76-6.26%	6/1/47	$	1,695,916	1,594,249
CU Medicine fixed-rate bonds	2.8%	11/1/24		7,481	8,657
Colorado Educational & Culture Facilities Authority Student Housing (CUPCO) (including discount of $633 in 2018 and $678 in 2017)	4.25-5.5%	6/1/38		52,407	52,762
Total revenue bonds				1,755,804	1,655,668
Capital leases	0.0%-6.0%	Various		11,824	13,313
Notes payable	1.96-4.15%	6/1/33		11,020	11,215
Total Bonds, Capital Leases, and Notes Payable			**$**	**$1,778,648**	**1,680,196**

Table 9.2 presents changes in bonds and capital leases for the years ended June 30, 2018 and 2017.

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

Type		Balance 2017	Additions	Retirements	Balance 2018	Current Portion
University						
Revenue bonds	$	1,524,302	471,390	379,461	1,616,231	66,891
Plus unamortized premiums		132,044	56,715	48,553	140,206	15,946
Less unamortized discounts		(678)	-	(45)	(633)	(45)
Net revenue bonds		1,655,668	528,105	427,969	1,755,804	82,792
Capital leases		13,313	795	2,284	11,824	2,058
Note payable		11,215	220	415	11,020	503
Total Bonds, Capital Leases, and Notes Payable	**$**	**1,680,196**	**529,120**	**430,668**	**1,778,648**	**85,353**

Type		Balance 2016	Additions	Retirements	Balance 2017	Current Portion
University						
Revenue bonds	$	1,537,623	120,665	133,986	1,524,302	63,311
Plus unamortized premiums		138,021	10,065	16,042	132,044	15,149
Less unamortized discounts		-	(701)	(23)	(678)	(46)
Net revenue bonds		1,675,644	130,029	150,005	1,655,668	78,414
Capital leases		15,402	295	2,384	13,313	1,990
Note payable		-	11,408	193	11,215	342
Total Bonds, Capital Leases, and Notes Payable - Univeristy	**$**	**1,691,046**	**141,732**	**152,582**	**1,680,196**	**80,746**

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2018 and 2017 is detailed in Table 9.3.

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

Issuance Description		Original Issuance Amount	Outstanding Balance 2018	Outstanding Balance 2017
Enterprise system revenue bonds:				
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	27,725	27,725
Series 2009A -				
Used to fund acquisition and capital improvements at CU Boulder, UCCS and CU Denver		165,635	5,235	10,025
Series 2009B-1 -				
Used to fund capital improvements at CU Boulder and CU Anschutz		76,725	-	6,900
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	2,545	7,030
Series 2010A -				
Used to fund acquisition and capital improvements at CU Anschutz		35,510	26,430	27,765
Series 2010B -				
Used to refund Enterprise System Revenue Bonds Series 2002A and Enterprise System Revenue Bonds Series 2003A		56,905	20,790	26,345
Series 2010C -				
Used to fund capital improvements at CU Anschutz		4,375	2,775	3,015
Series 2011A -				
Used to fund capital improvements at CU Boulder and UCCS		203,425	35,060	40,085
Series 2011B -				
Used to partially refund Enterprise System Revenue Bonds Series 2002B, 2003A, 2004, and 2005A		52,600	39,485	47,965
Series 2012A-1 -				
Used to partially refund Enterprise System Revenue Bonds Series 2003A, 2004, 2005A, 2005B, 2006A, and 2007B		121,850	119,125	119,200
Series 2012A-2 -				
Used to partially refund Enterprise System Revenue Bonds Series 2004, 2005A, and 2005B		53,000	43,015	43,785
Series 2012A-3 -				
Used to partially refund Enterprise System Revenue Bonds Series 2005A, 2005B, 2006A, and 2007B		47,165	34,015	37,570
Series 2012B -				
Used to fund capital improvements at CU Boulder, CU Denver and UCCS		95,705	17,940	60,690

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

Issuance Description		Original Issuance Amount	Outstanding Balance 2018	Outstanding Balance 2017
Series 2013A -				
Used to fund capital improvements at CU Boulder, CU Anschutz and UCCS	$	142,460	13,515	136,190
Series 2013B -				
Used to fund capital improvements at CU Anschutz		11,245	10,540	10,780
Series 2014A -				
Used to fund capital improvements at CU Boulder		203,485	38,670	198,330
Series 2014B-1 -				
Used to partially refund Enterprise System Revenue Bonds Series 2005B, 2006B, 2007A and 2009		100,440	97,790	98,105
Series 2015A -				
Used to partially refund Enterprise System Revenue Bonds Series 2006A, 2007B, and 2009		102,450	95,190	97,545
Series 2015B -				
Used to partially refund Enterprise System Revenue Bonds Series 2005A		3,925	2,910	3,020
Series 2015C -				
Used to partially refund Enterprise System Revenue Bonds Series 2007A		71,325	66,445	67,740
Series 2016A -				
Used to fund capital improvements at the CU Denver and UCCS		31,430	30,885	31,310
Series 2016B-1 -				
Used to partially refund Enterprise System Revenue Bonds Series 2011A		156,810	155,245	156,025
Series 2017A-1 -				
Used to partially refund Enterprise System Revenue Bonds Series 2007A and 2012B		66,930	61,505	66,930
Series 2017A-2 -				
Used to partially refund Enterprise System Revenue Bonds Series 2012B, 2013A and 2014A and to establish escrow accounts for the cross-over refunding of Series 2009B, 2010A and 2010C		471,390	470,745	-
Total enterprise system revenue bonds - outstanding principal		**2,621,605**	**1,555,710**	**1,462,205**
Series 2014 - CU Medicine Fixed Rate Bonds				
Used to fund capital improvements at CU Medicine		11,695	7,481	8,657
Series 2008-Colorado Educational & Culture Facilities Authority Student Housing				
Used to fund capital improvements		54,055	53,040	53,440
Total Other Long Term Obligations		**65,750**	**60,521**	**62,097**
Total Outstanding Revenue Bond Principal			1,616,231	1,524,302
Plus premium			140,206	132,044
Less discount			(633)	(678)
Total Revenue Bonds			**$ 1,755,804**	**$ 1,655,668**

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, research services, and certain other operating and nonoperating revenues, 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. 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, 2018 and 2017, the total principal and interest paid on the University's bonds net of Federal subsidy on the Build America Bonds, excluding refundings, was $133,110,000 and $127,708,000, respectively, which is 10.5 percent and 10.8 percent of the total net pledged revenues of $1,262,253,000 and $1,180,082,000, respectively. Net pledged revenues are 38 percent and 39 percent of the total specific revenue streams, respectively.

On December 12, 2017, the University issued $471,390,000 of Tax-Exempt University Enterprise Refunding Revenue Bonds, Series 2017A-2. The proceeds were used to partially advance refund $40,905,000 par value of the Series 2012B bonds, $120,350,000 par value of the Series 2013A bonds, and $154,250,000 par value of the Series 2014A, to cover certain costs related to the issuance, and to establish escrow accounts for the crossover refunding of Series 2009B, Series 2010A, and Series 2010C. The refunding of Series 2012B resulted in an economic gain of $3,782,000 and accounting gain of $1,289,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $5,375,000. The refunding of Series 2013A resulted in an economic gain of $9,059,000 and accounting loss of $11,285,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $12,951,000. The refunding of Series 2014A resulted in an economic gain of $10,458,000 and accounting loss of $3,772,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $15,545,000. Series 2017A-2 has an interest rate ranging from 3.0 percent to 5.0 percent, and the bonds mature through June 1, 2046.

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, CU Medicine 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 CU Medicine's administrative office building. In October 2014, CU Medicine 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. As a result of the Tax Cuts and Jobs Act, signed into law in December 2017, US Bank increased the interest rate on CU Medicine's borrowing to 2.8 percent. The US Bank financing is subject to the same financial covenants as those included in the original variable-rate obligation, the most significant of which are the maintenance of 60 days' cash on hand (defined as unrestricted cash plus readily marketable securities) and a debt service coverage ratio of 1.25. CU Medicine management believes it is in compliance with its debt service requirements and financial covenants.

In August 2008, the Colorado Educational and Cultural Facilities Authority (the Authority) issued $54,055,000 of Series 2008 Student Housing Revenue Refunding Bonds (the Series 2008 Bonds). The Authority then loaned the proceeds of the bonds to CVA to refund the 2005 Bonds ($50,365,000), fund a portion of a debt service reserve fund, and pay certain costs of issuance. The Series 2008 Bonds are special, limited obligations of the Authority and are payable solely out of the amounts received by the Authority from CVA pursuant to the terms and provisions of the indenture, the loan agreement, and the lease vacancy agreement. The Series 2008 Bonds are 30 year serial bonds maturing on June 1, 2038, with fixed interest rates ranging from 4.25 percent to 5.5 percent, and contain certain provisions for early redemption. Interest is payable semi-annually on June 1 and December 1. The bonds are secured by the property owned by CVA as well as CVA's accounts and rents. See Note 1.

Future minimum payments for revenue bonds are detailed in Table 9.4.

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

		University		
Years Ending June 30		**Principal**	**Interest**	**Total**
2019	$	66,891	69,563	136,454
2020		74,504	61,399	135,903
2021		78,089	59,158	137,247
2022		82,654	56,000	138,654
2023		83,499	52,732	136,231
2024 - 2028		422,654	210,697	633,351
2029 - 2033		381,260	127,826	509,086
2034 - 2038		281,440	59,380	340,820
2039 - 2043		122,330	17,772	140,102
2044 - 2048		22,910	2,006	24,916
Total	**$**	**1,616,231**	**716,533**	**2,332,764**

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 $614,125,000 and $298,620,000 as of June 30, 2018 and 2017, respectively. During the year ended June 30, 2018, debt in the amount of $315,505,000 was defeased and there were no escrow agent payments. During the year ended June 30, 2017, debt in the amount of $28,910,000 was defeased and escrow agent payments were $110,765,000.

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, 2018 and 2017, the University paid base rent to AHEC of approximately $836,000 and $836,000, respectively, annually for each year. Amortization expense is included in depreciation expense.

As of June 30, 2018 and 2017, the University had an outstanding liability for all its capital leases approximating $11,824,000 and $13,313,000, respectively, with underlying gross capitalized asset cost approximating $24,942,000 and $24,969,000, respectively, with accumulated amortization of $12,638,000 and $12,041,000 respectively, resulting in underlying net capitalized assets of $12,304,000 and $12,928,000, respectively.

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

Table 9.5. Capital Leases *(in thousands)*

Years Ending June 30		Principal	Interest	Total
2019	$	2,058	528	2,586
2020		1,914	456	2,370
2021		1,163	388	1,551
2022		993	340	1,333
2023		969	292	1,261
2024 – 2028		4,727	670	5,397
Total	**$**	**11,824**	**2,674**	**14,498**

NOTES PAYABLE

18th Avenue has a 20-year mortgage on the property at 1800 Grant Street. The original amount borrowed was $12,450,000 at an interest rate of 4.15 percent with monthly principal and interest payments of $67,000. There is a balloon payment of $3,678,000 due on June 1, 2033.

Future minimum payments for the University's note payable are detailed in Table 9.6.

Table 9.6. Notes Payable Future Minimum Payments *(in thousands)*

Years Ending June 30		Principal	Interest	Total
2019	$	503	445	948
2020		372	429	801
2021		387	414	801
2022		404	397	801
2023		2,290	1,716	4,006
2024 – 2028		2,817	1,189	4,006
2029 – 2033		4,247	164	4,411
Total	**$**	**11,020**	**4,754**	**15,774**

COMMERCIAL PAPER

On April 6, 2018 the Regents authorized a commercial paper program for approved capital construction projects with a maximum outstanding amount of $200 million. Each commercial paper note has a fixed maturity date of between 1 and 270 days from issuance and is either taken out at maturity by another commercial paper issuance, retired by permanent financing authorized by the Regents for that purpose, or retired by the University. On June 5, 2018, the University issued the first tranche of Commercial Paper in the amount of $40,000,000 with a maturity of September 6, 2018. The initial issuance of commercial paper is being used to fund the construction of Williams Village East Housing and the Aerospace Engineering Building at the CU Boulder. The initial rate was 1.30 percent. It is expected that future issuance of commercial paper will be used to fund the balance of these two CU Boulder capital construction projects before permanent financing is issued in the summer of 2019. Table 9.7 presents changes in commercial paper for the year ended June 30, 2018.

Table 9.7. Commercial Paper *(in thousands)*

		2018
Beginning of year	$	-
Additions		40,000
Retirements		-
End of year	$	40,000

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, 2018, the University had underlying gross capitalized assets at UCCS costing approximately $17,735,000 with accumulated amortization of $7,020,000 resulting in an underlying net capitalized asset of $10,715,000. As of June 30, 2018, the University had underlying gross capitalized assets at CU Boulder costing approximately $796,000, with accumulated amortization of $178,000 resulting in an underlying net capitalized asset of $618,000. As of June 30, 2018, the University had underlying gross capitalized assets at CU Anschutz costing approximately $188,801,000, with accumulated amortization of $50,972,000 resulting in an underlying net capitalized asset of $137,829,000.

NOTE 10 – OTHER LIABILITIES

Table 10.1 details other liabilities as of June 30, 2018 and 2017.

Table 10.1. Other Liabilities *(in thousands)*

		2018		2017	
Type		**Total**	**Current**	**Total**	**Current**
Risk financing	$	29,225	16,051	27,857	15,354
Construction contract retainage		9,609	9,607	12,880	12,880
Funds held for others		17,729	17,729	16,511	16,511
Federal Perkins loan		20,341	2,781	-	-
Miscellaneous		2,941	1,357	3,369	1,830
Total Other Liabilities	**$**	**79,845**	**47,525**	**60,617**	**46,575**

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, 2018 or 2017 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 UCH. 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 $325,000 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 of $16,769,000 and the Graduate Medical Student Health Benefits reserve of $2,689,000 are reported on an undiscounted basis, and the CU Denver | Anschutz Medical Campus Professional Liability reserve of $9,767,000 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, 2018 and 2017 are presented in Table 10.2.

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, 2016	**$**	**16,727**	**11,469**	**1,666**	**29,862**
Fiscal Year 2017:					
Claims and changes in estimates		7,389	1,006	10,356	18,751
Claim payments		(7,996)	(3,046)	(9,714)	(20,756)
Balance as of June 30, 2017	**$**	**16,120**	**9,429**	**2,308**	**27,857**
Fiscal Year 2018:					
Claims and changes in estimates		7,912	1,450	13,013	22,375
Claim payments		(7,263)	(1,112)	(12,632)	(21,007)
Balance as of June 30, 2018	**$**	**16,769**	**9,767**	**2,689**	**29,225**

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, 2018 and 2017 was $397,016,000 and $386,128,000, respectively.

FEDERAL PERKINS LOANS

The Federal Perkins Loan program, which provided low-interest loans to college students with exceptional financial need, expired on September 30, 2017. The United States Department of Education (ED) will require an initial distribution of assets from the University's Perkins Fund for the 2018-2019 Award Year. Beginning with the 2019-2020 Award Year and for all subsequent award years, ED will require a capital distribution from the

University's Perkins Fund on an annual basis for institutions that continue participating in the Perkins Loan Program. Institutions, such as the University, must return to ED the federal share of the institution's Perkins Fund.

As permitted by GAAP, the University historically recorded the federal share of the Perkins Fund in restricted net position. With the expiration of the Perkins Loan Program, the University is required, beginning in Fiscal Year 2018, to reflect the federal share as a liability. Therefore, the University recorded a liability of $20,341,000 and a related expense of the same amount (included in Nonoperating Revenue, Net on the Statement of Revenues, Expenses and Changes in Net Position) in the Fiscal Year 2018 financial statements.

NOTE 11 - NET POSITION

While on a system-wide basis the University has negative unrestricted net position, certain departments within the University maintain a positive 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.

In Fiscal Year 2018, the University transferred $9,722,000 endowments from total restricted for nonexpendable net position to the CU Foundation pursuant to Regent policy and to promote administrative efficiency in stewarding University funds.

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, 2018 and 2017, 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 0.58 percent and 1.36 percent during the years ended June 30, 2018 and 2017, respectively, as shown in Table 12.

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

		2018	2017
Local government grants	$	810	793
Capital appropriations		3,643	33,441
Tobacco Litigation Settlement Appropriation		15,651	15,325
State COP annual debt service payments for CU Anschutz		29	7,249
State COP annual debt service payments for UCCS		1,339	1,010
State COP annual debt service payments for CU Boulder		5,462	22
Total State Support	**$**	**26,934**	**57,840**
Total TABOR enterprise revenues	$	4,571,195	4,251,026
Ratio of State support to total revenues		0.59%	1.36%

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, 2018 and 2017, the University's appropriated funds included $67,612,000 and $64,661,000, respectively, received for students that qualified for stipends from the College Opportunity Fund (COF) and $126,706,000 and $121,872,000, respectively, as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated cash funds include the student-paid portion of tuition, mandatory student fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate, in the accompanying financial statements. For the years ended June 30, 2018 and 2017, 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 mandatory student 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, 2018 and 2017, scholarship allowances were provided by the following funding sources in amounts detailed in Table 13.

Table 13. Scholarship Allowances *(in thousands)*

For years ended June 30		**2018**			**2017**		
Funding Source Description		**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**
University general resources	$	95,282	2,750	98,032	87,780	2,319	90,099
University auxiliary resources		12,991	353	13,344	12,276	342	12,618
Colorado Commission on Higher Education financial aid program		25,985	340	26,325	22,789	263	23,052
Federal programs, including Federal Pell grants		60,478	1,171	61,649	54,662	954	55,616
Other State of Colorado programs		97	3	100	118	2	120
Private programs		371	3	374	194	1	195
Gift fund		21,815	458	22,273	18,601	363	18,964
Total Scholarship Allowances	**$**	**217,019**	**5,078**	**222,097**	**196,420**	**4,244**	**200,664**

NOTE 14 – HEALTH SERVICES REVENUE

Health services revenue of $1,037,529,000 and $876,986,000 is recorded net of contractual adjustments approximating $1,349,233,000 and $1,230,615,000 and bad debt expense on uncollectible patient account receivables approximating $42,778,000 and $30,617,000 from CU Medicine and $65,000 and $68,000 from various departments at CU Anschutz for the years ended June 30, 2018 and 2017, respectively. Charity care provided during the years ended June 30, 2018 and 2017, based on estimated service costs of providing charity care, totaled approximately $6,549,000 and $6,894,000, for the years ended June 30, 2018 and 2017, 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 CU Medicine's retirement plan.

PERA DEFINED BENEFIT PENSION PLAN

Significant Accounting Policies. 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.

Plan description. 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 had the option to participate 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.

Benefits provided as of December 31, 2017. 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 the 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.

As of December 31, 2017, 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.

Contributions as of June 30, 2018. 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. Table 15.1 summarizes the employer contribution requirements for all employees.

Table 15.1. Employer Contribution Requirements

	2018	2017	
	1-1-17 to 06-30-18	1-1-17 to 6-30-17	7-1-16 to 12-31-16
Employer Contribution Rate*	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	4.50%
Total Employer Contribution Rate to the SDTF	**19.13%**	**19.13%**	**18.23%**

*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 $61,138,000 for the year ended June 30, 2018 and $58,698,000 for the year ended June 30, 2017.

As of June 30, 2018 and 2017, the University reported a liability of $2,206,541,000 and $2,049,366,000, respectively, for its proportionate share of the net pension liability. The net pension liability for Fiscal Year 2018 was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2017 and 2016 relative to the total contributions of participating employers to the SDTF. At December 31, 2017, the University's proportion was 11.02 percent, which decreased from 11.16 percent at December 31, 2016.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of $496,627,000 and $415,537,000. 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, 2018 and 2017.

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

		2018		2017	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	34,405	-	20,371	-
Changes of assumptions or other inputs		383,140	-	521,372	6,308
Net difference between projected and actual earnings on pension plan investments		-	83,106	67,937	-
Changes in proportionate share		-	11,150	-	3,321
Changes in proportionate share of contributions		-	1,308	-	-
Contributions subsequent to the measurement date		31,428	-	31,670	-
Total	**$**	**448,973**	**95,564**	**641,350**	**9,629**

The $31,428,000 reported as a deferred outflow of resources related to pensions as of June 30, 2018, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability in Fiscal Year 2019. The $31,670,000 reported as deferred outflows of resources related to pensions as of June 30, 2017, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in Fiscal Year 2018. 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.

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

Years ending June 30:		
2019	$	325,778
2020		58,906
2021		(30,995)
2022		(31,708)
Total	**$**	**321,981**

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the actuarial cost method, actuarial assumptions and other inputs detailed in Table 15.4.

Table 15.4. Actuarial Assumptions - December 31, 2017

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 - 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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

A discount rate of 4.72 percent was used in the rollforward calculation of the total pension liability to the measurement date of December 31, 2017. The discount rate of 5.26 percent was used for the measurement date of December 31, 2016.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015 as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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 most recent 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.

Table 15.5. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
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 7.25 percent.

Discount rate. Per PERA, the discount rate used to measure the total pension liability at December 31, 2017 was 4.72 percent, and 5.26 percent for the December 31, 2016 valuation. 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 3.50 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 and effective as of the measurement date, 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 assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a blended discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26, 0.54 percentage points higher compared to the current measurement date.

Table 15.6 presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 percent for 2018 and 5.26 percent for 2017, 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 or 1-percentage-point higher than those rates.

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

		2018	
	1% Decrease	Current Discount	1% Increase
Proportionate share of the net pension liability	$ 2,745,095	2,206,541	1,764,421
		2017	
	1% Decrease	**Current Discount**	**1% Increase**
Proportionate share of the net pension liability	$ 2,538,266	2,049,366	1,647,227

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.

LEGISLATIVE CHANGES TO PERA'S DEFINED BENEFIT PLAN

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, the University reported a liability of $2,206,541,000 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72 percent. For comparative purposes, the following schedule presents an estimate of what the University's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors. Table 15.7 depicts the impact of this new legislation.

Table 15.7. Impact of Legislative Changes in PERA (*in thousands*)

Estimated Discount Rate Calculated Using Plan Provisions (pro forma)	Proportionate Share of the Estimated Net Position Liability Calculated Using Plan Provisions Required by SP 18-200 (pro forma)
7.25%	$1,046,326

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $984,654,000 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

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 $4,811,000 and $4,506,000 for the years ended June 30, 2018 and 2017, 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 2017, 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 2017 for total contributions of $24,000. Participants are also eligible for the special 457 plan catch-up beginning the last three years immediately preceding the participant's normal retirement age. Contributions and earnings made by CU employees are tax deferred, although the 457 plan does permit a Roth option. At December 31, 2017, the 457 plan had 18,211 participants. The University employees' contributions to the 457 plan approximated $17,725,000 and $14,457,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 $152,606,000 and $128,523,000 during the years ended June 30, 2018 and 2017, respectively. The employees' contribution under the ORP approximated $76,182,000 and $64,107,000 during the years ended June 30, 2018 and 2017, 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 2017 and 2016, 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 $48,640,000 and $40,551,000 for the years ended 2018 and 2017, 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 is a single-employer defined benefit pension plan. The AMP provides a monthly cash payment of approximately $154 for a retiree in both Fiscal Year 2018 and 2017, approximately $262 for a retiree plus spouse/same gender domestic partner in both Fiscal Year 2018 and 2017, and approximately $108 for a surviving spouse in both Fiscal Year 2018 and 2017, 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. The University adopted the provisions of GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, as amended* (Statement No. 73) in Fiscal Year 2017.

Funded Status and Funding Progress. There are no assets accumulating in a trust for the AMP as the University funds this program on a pay-as-you-go basis. The University contributed $1,566,000 and $1,436,000 for the years ended June 30, 2018 and 2017, respectively.

The actuarial valuation for the fiscal year ending June 30, 2018 had a measurement date of June 30, 2017. Based on March 1, 2017 census data, there were 12,410 participants in the AMP plan, with 11,833 active employees and 577 retirees. In addition to the retirees in payment status, there were 204 retirees receiving benefits through the OPEB plan who are eligible for AMP benefit upon reaching Medicare eligibility.

The actuarial valuation for the fiscal year ending June 30, 2017 had a measurement date of June 30, 2016. Based on March 1, 2015 census data, there were 11,690 participants in the AMP plan, with 11,183 active employees and 507 retirees. In addition to the retirees in payment status, there were 175 retirees receiving benefits through the OPEB plan who are eligible for AMP benefit upon reaching Medicare eligibility.

The University recognized $5,426,000 and $5,431,000 of AMP expense in Fiscal Year 2018 and 2017, respectively. Table 15.8 details the changes in the AMP liability during Fiscal Years 2018 and 2017.

Table 15.8. Reconciliation of AMP Liability (*in thousands*)

		Fiscal Year Ending June 30	
		2018	**2017**
AMP liability, beginning of year	$	74,723	11,600
Cumulative effect of adoption of new accounting principle		-	46,640
Contributions made subsequent to the measurement date		-	1,349
Changes recognized for the fiscal year:			
Service cost		4,262	3,194
Interest on total AMP liaibility		2,231	2,391
Differences between expected and actual experience		(3,377)	(101)
Changes of assumption		(3,180)	10,999
Estimated benefit payments		(1,448)	(1,349)
Net changes		(1,512)	15,134
AMP liability, end of year	$	73,211	74,723

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 retirement rates, withdrawal rates, mortality rates, and participation rates. The entry age normal actuarial cost method is used. The discount rate used in the valuation is 3.60 percent as of the June 30, 2017 measurement date, and 2.85 percent as of the June 30, 2016 measurement date, and is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to the rates for ages below 80 and a 108 percent factors applied to the rates for ages 80 and above, projected to2018 using the MP-2015 projection scale for males, and a 78 percent factor applied to the rates for ages below 80 and a 109 percent factor applied to the rates for ages 80 and above, projected to 2020 using the MP-2015 projection scale for females.

The valuation reflects the following assumption changes from the June 30, 2016 measurement date to the June 30, 2017 measurement date:

- Interest rate changed from 2.85 percent to 3.60 percent
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
    - Mortality rates
    - Withdrawal rates

Table 15.9 illustrates the impact of interest rate sensitivity on the AMP liability for the fiscal years ending June 30, 2018 and 2017.

Table 15.9. Sensitivity of AMP Liability *(in thousands)*

Fiscal Year Ended June 30		1% Increase (4.60%)	Current Rate (3.60%)	1% Decrease (2.60%)
2018	$	62,639	73,211	86,429
		1% Increase (3.85%)	**Current Rate (2.85%)**	**1% Decrease (1.85%)**
2017	$	63,725	74,723	88,499

Table 15.10 illustrates the deferred outflows and inflows of resources as of June 30, 2018 and 2017.

Table 15.10. AMP Deferred Outflows and Inflows *(in thousands)*

		2018		2017	
		Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Changes in assumptions	$	8,411	2,806	9,705	-
Differences between expected and actual experience		-	3,057	-	89
Contributions subsequent to the measurement date		1,566	-	1,436	-
Total	**$**	**9,977**	**5,863**	**11,141**	**89**

Between the June 30, 2017 and 2016 measurement dates of the total AMP liability and the University's June 30, 2018 and 2017 reporting dates, the University made contributions of $1,566,000 and $1,436,000 during Fiscal Year 2018 and 2017, respectively, that impacted the total AMP liability and were treated as a deferred outflow of resources.

Table 15.11 lists the amortization bases included in the deferred outflows and inflows of resources as of June 30, 2018 and 2017.

Table 15.11. Amortization of AMP Deferred Outflows and Inflows *(in thousands)*

Date Established	Type of Base	Period Original	Period Remaining		Balance Original	Balance Remaining	Annual Amortization
July 1, 2016	Differences between expected and actual experience	8.5	6.5	$	(101)	(77)	(12)
July 1, 2016	Changes in assumptions	8.5	6.5		10,999	8,411	1,294
July 1, 2017	Differences between expected and actual experience	8.5	7.5		(3,377)	(2,980)	(397)
July 1, 2017	Changes in assumptions	8.5	7.5		(3,180)	(2,806)	(374)
	Total changes			**$**	**4,341**	**2,548**	**511**

The deferred outflow from contributions subsequent to the measurement date of $1,566,000 and $1,436,000 will be recognized as a reduction to the AMP liability in the year ended June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows and inflows related to the AMP liability will be recognized in AMP expense as summarized in Table 15.12.

Table 15.12. Future Amortization of AMP Deferred Outflows and Inflows *(in thousands)*

Years ending June 30:		
2019	$	511
2020		511
2021		511
2022		511
2023		511
2024-2024		(7)
Total	**$**	**2,548**

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 ORP. 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 40 and 70 participants as of June 30, 2018 and 2017, 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, 2018 and 2017 was $4,077,000 and $4,602,000, respectively, measured at a discounted present value using a rate of 5 percent. Table 15.13 presents changes in the ERIP for the years ended June 30, 2018 and 2017.

Table 15.13. Early Retirement Incentive Program *(in thousands)*

		2018	2017
Beginning of year	$	4,602	7,222
Additions		1,047	-
Reductions		(1,572)	(2,620)
End of year	**$**	**4,077**	**4,602**
Current ERIP		1,686	1,624

CU MEDICINE RETIREMENT PLAN

CU Medicine 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 CU Medicine 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, CU Medicine contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2018 and 2017. CU Medicine's contributions for covered payroll to the retirement plan for the years ended June 30, 2018 and 2017, approximated $2,005,000 and $1,983,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $230,759,000 and $191,461,000 during the years ended June 30, 2018 and 2017, respectively. See Note 18 for discussion of the Trust.

NOTE 16 – SEGMENT AND BLENDED COMPONENT UNIT INFORMATION

The University has two segments, CU Medicine and CVA.

CU Medicine is a blended component unit of the University and has identifiable activities for which CU Medicine Fixed-Rate bonds approximating $7,481,000 and $8,657,000 are outstanding as of June 30, 2018 and 2017, respectively. The activities of this segment include all the SOM's faculty practice plan. Table 16.1 presents summary financial information as of and for the years ended June 30, 2018 and 2017.

The University paid CU Medicine rental amounts of $2,668,000 and $2,510,000 during the years ended June 30, 2018 and 2017, respectively. As CU Medicine is a blended component unit, these amounts are eliminated.

CVA is also a segment of the University. CVA is a wholly owned entity of CUPCO, a blended component unit of the University, for which $53,040,000 and $53,440,000 revenue bonds are outstanding as of June 30, 2018 and 2017, respectively. CVA provides housing and other services for students of CU Denver. Table 16.2 presents summary financial information as of and for the years ended June 30, 2018 and from January 1, 2017 through June 30, 2017, the period of time after which CVA assets were transferred to CUPCO.

Table 16.1 Segment Financial Information - CU Medicine *(in thousands)*

As of and for the year ended June 30		2018	2017
Condensed Statement of Net Position			
Assets			
Cash and cash equivalents	$	130,488	81,057
Short-term investments		51,629	59,657
Other current assets		161,226	104,952
Total current assets		343,343	245,666
Investments	$	255,634	235,760
Capital assets, net		37,670	40,649
Other noncurrent assets		4,325	7,776
Total noncurrent assets		297,629	284,185
Total Assets	**$**	**640,972**	**529,851**
Liabilities			
Accounts payable and accrued expenses	$	60,073	46,670
Accounts payable to University of Colorado		4,820	739
Bonds and capital leases payable		1,282	1,297
Total current liabilities		66,175	48,706
Bonds and capital leases payable		6,488	7,653
Total noncurrent liabilities		6,488	7,653
Total Liabilities	**$**	**72,663**	**56,359**
Net Position			
Net investment in capital assets		29,899	31,699
Unrestricted		538,410	441,793
Total Net Position		**568,309**	**473,492**
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues (expenses)			
Patient revenues	$	1,007,542	848,898
Depreciation expense		(4,627)	(4,722)
Other operating expenses		(890,128)	(789,969)
Operating income		112,787	54,207
Nonoperating revenues (expenses)			
Investment income	$	4,226	3,310
Interest expense on capital asset-related debt		(296)	(220)
Other nonoperating expenses		(21,900)	(11,498)
Total nonoperating revenues (expenses)		(17,970)	(8,408)
Increase in Net Position		**94,817**	**45,799**
Net Position, beginning of year		473,492	427,693
Net Position, end of year	**$**	**568,309**	**473,492**
Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$	80,714	39,038
Non-capital financing activities		(20,460)	(11,533)
Capital and related financing activities		(3,176)	(3,757)
Investing activities		(7,647)	(27,268)
Net Increase (Decrease) in Cash and Cash Equivalents		**49,431**	**(3,520)**
Cash and cash equivalents, beginning of year		81,057	84,577
Cash and Cash Equivalents, End of Year	**$**	**130,488**	**81,057**

Table 16.2 Segment Financial Information - CVA *(in thousands)*

As of and for the year ended June 30		2018	2017
Condensed Statement of Net Position			
Assets			
Current assets	$	8,462	5,003
Capital assets		29,217	29,379
Other noncurrent assets		-	5,165
Total Assets	**$**	**37,679**	**39,547**
Liabilities			
Current liabilities		1,293	1,698
Noncurrent liabilities		51,937	52,407
Total Liabilities	**$**	**53,230**	**54,105**
Net Position			
Net investment in capital assets	$	(22,281)	(22,473)
Restricted for bond requirements		5,676	7,977
Unrestricted		1,054	(62)
Total Net Position		**(15,551)**	**(14,558)**
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	$	7,015	3,227
Operating expenses		(3,514)	(1,623)
Depreciation expense		(1,420)	(673)
Net operating income		2,081	931
Interest expense		(2,946)	(1,480)
Gifts		-	895
Other nonoperating revenue (expense)		(400)	-
Interest income		272	124
Net nonoperating expenses		(3,074)	(461)
Increase (Decrease) in Net Position prior to Special Item		**(993)**	**470**
Special Item		-	(15,028)
Net Position, beginning of year		(14,558)	-
Net Position, end of year	**$**	**(15,551)**	**(14,558)**
Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$	2,017	1,176
Non-capital financing activities		(400)	(1,759)
Capital and related financing activities		(4,559)	(484)
Investing activities		2,574	895
Net Decrease in Cash and Cash Equivalents		**(368)**	**(172)**
Cash and cash equivalents, beginning of year		765	937
Cash and Cash Equivalents, End of Year	**$**	**397**	**765**

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2018 and 2017, for the University's CU Foundation are presented in Table 17.1.

Table 17.1 CU Foundation Summary Financial Statements *(in thousands)*

Condensed Statement of Net Position		2018	2017
Assets			
Current assets			
Cash and cash equivalents	$	29,861	26,013
Contributions receivable, net		28,853	31,934
Other current assets		724	539
Total current assets		59,438	58,486
Noncurrent assets			
Contributions receivable, net		151,080	90,994
Investments		1,847,550	1,689,100
Assets held under split-interest agreements		42,573	42,750
Beneficial interest in charitable trusts held by others		8,406	8,017
Capital assets, net		1,435	1,583
Total noncurrent assets		2,051,044	1,741,450
Total Assets	**$**	**2,110,482**	**1,799,936**
Liabilities			
Current liabilities			
Accounts payable	$	390	480
Accounts payable - University		4,832	13,295
Liabilities under split-interest agreements		2,619	2,604
Custodial funds		16,660	15,719
Total current liabilities		24,501	32,098
Noncurrent liabilities			
Funds held in trust for others		2,293	2,115
Liabilities under split-interest agreements		20,319	21,060
Custodial funds		418,292	379,744
Total noncurrent liabilities		440,904	402,919
Total Liabilities	**$**	**465,405**	**435,017**
Net Position			
Net investment in capital assets	$	1,435	1,583
Restricted for nonexpendable purposes		606,413	546,822
Restricted for expendable purposes		970,306	847,611
Unrestricted		66,923	59,897
Total Net Position	**$**	**1,645,077**	**1,455,913**

Table 17.1 (continued) CU Foundation Summary Financial Statements *(in thousands)*

Statement of Revenues, Expenses, and Changes in Net Position		**For the Year Ended June 30**	
		2018	**2017**
Operating revenues			
Contributions	$	248,613	188,221
Other revenue		4,186	3,779
Total operating revenues		252,799	192,000
Operating expenses			
Institutional support			
Gifts and income distributed to University		166,739	139,451
Administrative		4,757	4,229
Advancement support to the University		21,579	20,749
Depreciation and amortization		148	158
Total operating expenses		193,223	164,587
Operating Income		59,576	27,413
Nonoperating revenues (expenses)			
Investment income		129,588	156,572
Increase in Net Position		**189,164**	**183,985**
Net Position, beginning of year		1,455,913	1,271,928
Net Position, End of Year	**$**	**1,645,077**	**1,455,913**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$	(9,801)	37,545
Non-capital financing activities		44,642	37,114
Investing activities		(30,993)	(83,339)
Net Increase (Decrease) in Cash and Cash Equivalents		**3,848**	**(8,680)**
Cash and cash equivalents, beginning of year		26,013	34,693
Cash and Cash Equivalents, End of Year	**$**	**29,861**	**26,013**

During Fiscal Year 2017 CUREF was dissolved and its assets were transferred to CUPCO and the CU Foundation and the remaining activity is shown in Table 17.2. CUREF was a discretely presented component unit of the University, and CUPCO is a blended component unit of the University.

Table 17.2 CUREF Summary Financial Statement *(in thousands)*

Statement of Revenues, Expenses, and Changes in Net Position	
	For the Year Ended June 30, 2017
Operating revenues	
Other revenue	7,853
Total operating revenues	7,853
Operating expenses	
Institutional support	
Gifts and income distributed to University	3,489
Support services	3,265
Depreciation and amortization	775
Total operating expenses	7,529
Operating Income	324
Increase in Net Position	**324**
Net Position, beginning of year	(324)
Net Position, End of Year	**-**

Condensed Statement of Cash Flows	
Net cash flows used for:	
Operating activities	(4,890)
Net Increase (Decrease) in Cash and Cash Equivalents	**(4,890)**
Cash and cash equivalents, beginning of year	4,890
Cash and Cash Equivalents, End of Year	**-**

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University were approximately $166,739,000 and $139,451,000 during the years ended June 30, 2018 and 2017, respectively. This amount has been recorded as University grant or gift revenue and the CU Foundation 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, 2018 and 2017, respectively, $222,167,000 and $195,394,000 of non-endowed investments are 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 $206,143,000 and $196,327,000 as of June 30, 2018 and 2017, respectively.

The CU Foundation collected a one percent annual advancement support fee of $3,500,000 for both years ended June 30, 2018 and 2017. The CU Foundation paid the University $21,579,000 and $20,749,000 to help cover development costs for the years ended June 30, 2018 and 2017, respectively, which is reported as other operating revenue.

As of June 30, 2018 and 2017, the University recorded an accounts receivable from the CU Foundation of $4,832,000 and $13,295,000, respectively. As of June 30, 2018 and 2017, the University recorded an account payable to the CU Foundation of $44,000 and $1,249,000, respectively.

NOTE 18 – RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

UNIVERSITY OF COLORADO HOSPITAL (UCH)

In accordance with 1991 State legislation, UCH was established as a separate and distinct entity. Requests for additional information should be addressed to UCH, Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

CU Denver | Anschutz and CU Medicine have several types of financial transactions with UCH. On an annual basis, CU Denver | Anschutz or CU Medicine and UCH 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 UCH. In some instances, the fee charged by CU Denver | Anschutz, CU Medicine, or UCH 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 UCH.

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

Total payments issued by UCH to CU Denver | Anschutz approximated $59,100,000 and $59,638,000 for years ended June 30, 2018 and 2017, respectively. Total payments issued by CU Denver | Anschutz to UCH for the years ended June 30, 2018 and 2017 approximated $9,587,000 and $10,344,000, respectively.

For the years ended June 30, 2018 and 2017, UCH distributed approximately $26,215,000 and $26,672,000, respectively, reported as gift revenue by the University.

During the years ended June 30, 2018 and 2017, CU Medicine recognized approximately $94,358,000 and $65,798,000, respectively, in health services revenue from UCH in support of clinical and academic missions. CU Medicine also received approximately $35,546,000 and $42,343,000 during the years ended June 30, 2018 and 2017, respectively, from UCH for amounts earned for services performed by CU Medicine faculty members but required to be processed through UCH (such as the State medically indigent program, Ryan White, and other miscellaneous programs).

As of June 30, 2018 and 2017, the University recorded an accounts receivable from UCH of $5,983,000 and $4,233,000, respectively, for various services provided. As of June 30, 2018 and 2017, the University had no accounts payable owed to UCH. 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, 2018 and 2017, the University incurred expenses related to the common facilities approximating $10,589,000 and $11,035,000, respectively, for payments to AHEC.

As of June 30, 2018 and 2017, the University recorded an accounts payable to AHEC of $917,000 and $1,432,000, 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, 2018 and 2017, the University had no accounts receivable due from AHEC.

In addition, the University leases space from AHEC. As of June 30, 2018 and 2017, the University has future operating lease payment obligations to AHEC of $4,151,000 and $2,244,000. 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, UCH, and CU Medicine. 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 $214,640,000 and $197,066,000 during the fiscal years ended June 30, 2018 and 2017, respectively. The University's payments to the Trust were $230,759,000 and $191,461,000 for the years ended June 30, 2018 and 2017, respectively, and the employees' payments were $29,642,000 and $25,189,000, respectively. As of June 30, 2018 and 2017, the University had accounts receivable owed from the Trust of $879,000 and $830,000, respectively, and accounts payable due to the Trust of $0 and $6,987,000, respectively.

Detailed financial information may be obtained directly from the Trust at 1999 Broadway, Suite 820, Denver, Colorado 80202.

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, 2018 and 2017, total rental expense under these agreements approximated $12,323,000 and $16,745,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 19.

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

Years Ending June 30		Minimum Lease
2019	$	13,872
2020		11,766
2021		9,935
2022		9,531
2023		6,972
2024 – 2028		23,504
2025 – 2029		10,853
Total	**$**	**86,433**

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 $309,731,000 and $99,971,000 as of June 30, 2018 and 2017, 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, 2018 and 2017, the amount of capital construction appropriations authorized from the State for these projects approximated $5,173,000 and $35,106,000, 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.

CU Medicine, 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. CU Medicine management believes that CU Medicine 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.

NOTE 20 – SUBSEQUENT EVENTS

The University has evaluated all subsequent events through the auditors' report date, and noted the following material subsequent events that required disclosure in these financial statements.

CVA BOND REDEMPTION

On August 1, 2018, CVA directed the trustee of the Series 2008 Student Housing Revenue Refunding Bonds to redeem all of the outstanding bonds and any accrued interest (2018 Redemption). The 2018 Redemption consisted of $53,040,000 in outstanding principal and $481,000 in accrued interest. The 2018 Redemption was funded with $48,015,000 in proceeds from the issuance on August 1, 2018 of the Series 2018A University Enterprise Revenue Bonds (Series 2018A) by the University, a debt service fund of $481,000 maintained by CVA, and $5,205,000 in proceeds from the August 1, 2018 maturity of the Guaranteed Investment Agreement and its accrued interest. The balance of the funding was used to pay for costs of issuance of the Series 2018A estimated at $180,000. Additionally, during the year ended June 30, 2018, the board of directors of CUPCO adopted a resolution to designate CVA a "facility" under the University's Master Bond Resolution and to pledge all net revenues generated by CVA to repayment of the Series 2018A. For Fiscal Year 2019 and forward, the board of directors of CUPCO pledged that any net proceeds generated through any sale or long-term lease of CVA be promptly available for distribution to the University.

BOND ISSUANCE

On October 17, 2018, the University issued $64,360,000 of University Enterprise Revenue Bonds, Series 2018B to fund the construction of four projects at UCCS. Interest rates on the bonds ranged from 3 percent to 5 percent, and the first interest payment date is December 1, 2018. The final maturity of the bonds is June 1, 2048, with the first principal payment due on June 1, 2020.

COMMERCIAL PAPER

During the year ended June 30, 2018, the Regents authorized up to $200 million of commercial paper to fund capital projects during their construction. As of June 30, 2018, the University had issued $40 million of commercial paper (see Note 9). On September 9, 2018 the University issued an additional $30 million of commercial paper to continue funding construction projects at CU-Boulder, bringing the total outstanding to $70 million. The University anticipates additional issuance of commercial paper in this program during Fiscal Year 2019.

ALTITUDE WEST

The University has formed as a Colorado limited liability company named Altitude West, LLC. (Altitude West), a captive insurance company. The purpose of Altitude West is to insure property/casualty/workers' compensation exposures of the University, for the benefit of the University and to pursue any other lawful purpose for which a captive insurance company issued a certificate of authority in the state and operating as a limited liability company may be organized under Colorado law. The filing of the Articles of Organization was effective August 20, 2018, with the office of Colorado's Secretary of State and captive operations began with an effective date of October 1, 2018, with an initial contribution from the University of $2.5 million.

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 OF COLLECTIVE NPL AS A PERCENTAGE OF COVERED PAYROLL (B/C)	PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY
DECEMBER 31, 2017	11.0227933269%	$ 2,206,541,000	$ 302,484,000	729.47%	43.20%
DECEMBER 31, 2016	11.1571798445%	$ 2,049,366,000	$ 300,390,000	682.24%	42.59%
DECEMBER 31, 2015	11.1631105031%	$ 1,175,591,000	$ 296,983,000	395.84%	56.11%
DECEMBER 31, 2014	11.2723667751%	$ 1,060,337,000	$ 292,225,000	362.85%	59.84%
DECEMBER 31, 2013	11.3970757002%	$ 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 AS A PERCENTAGE OF COVERED PAYROLL (B/C)
JUNE 30, 2018	$ 61,138,000	$ 61,138,000	$ -	$ 327,981,000	18.64%
JUNE 30, 2017	$ 58,698,000	$ 58,698,000	$ -	$ 300,673,000	19.52%
JUNE 30, 2016	$ 54,561,000	$ 54,561,000	$ -	$ 299,112,000	18.24%
JUNE 30, 2015	$ 50,696,000	$ 50,696,000	$ -	$ 295,357,000	17.16%
JUNE 30, 2014	$ 46,824,000	$ 46,824,000	$ -	$ 288,904,000	16.21%
JUNE 30, 2013	$ 40,368,000	$ 40,368,000	$ -	$ 279,476,000	14.44%
JUNE 30, 2012	$ 30,527,000	$ 30,527,000	$ -	$ 279,810,000	10.91%
JUNE 30, 2011	$ 27,243,000	$ 27,243,000	$ -	$ 278,497,000	9.78%
JUNE 30, 2010	$ 34,551,000	$ 34,551,000	$ -	$ 279,135,000	12.38%
JUNE 30, 2009	$ 31,863,000	$ 31,863,000	$ -	$ 277,523,000	11.48%

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA OPEB LIABILITY

MEASUREMENT DATE	PROPORTION OF COLLECTIVE NET OPEB LIABILITY (A)	PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY (B)	COVERED PAYROLL (C)	PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL (B/C)	PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY
DECEMBER 31, 2017	3.7222136080%	$ 48,374,000	$ 302,484,000	15.99%	17.53%
DECEMBER 31, 2016	3.8085462272%	$ 49,379,000	$ 300,390,000	16.44%	16.72%

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA OPEB

FISCAL YEAR-END	STATUTORILY REQUIRED CONTRIBUTION (A)	CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTION (B)	CONTRIBUTION DEFICIENCY (EXCESS) (A-B)	COVERED PAYROLL (C)	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL (B/C)
JUNE 30, 2018	$ 3,345,000	$ 3,345,000	$ -	$ 327,981,000	1.02%
JUNE 30, 2017	$ 3,067,000	$ 3,067,000	$ -	$ 300,673,000	1.02%

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

CHANGES IN ALTERNATE MEDICARE PLAN LIABILITY AND RELATED RATIOS

		Fiscal Year Ending	
		June 30, 2018	**June 30, 2017**
Service cost	$	4,262,000	3,194,000
Interest on total AMP liability		2,231,000	2,391,000
Changes in benefit terms		-	-
Differences between expected and actual experience		(3,377,000)	(101,000)
Changes of assumption		(3,180,000)	10,999,000
Benefit payments		(1,448,000)	(1,349,000)
Net change in total AMP liability		(1,512,000)	15,134,000
Total AMP liability (beginning)		74,723,000	59,589,000
Total AMP liability (ending)	$	73,211,000	74,723,000
Plan Fiduciary Net Position			
Contributions	$	1,448,000	1,349,000
Net investment income		-	-
Benefit payments		(1,448,000)	(1,349,000)
Administrative expense		-	-
Net change in plan fiduciary net position		-	-
Plan fiduciary net position (beginning)		-	-
Plan fiduciary net position (ending)		-	-
Net AMP liability (ending)	$	73,211,000	74,723,000
Net position as a % of AMP liability		0.00%	0.00%
Covered-employee payroll	$	1,187,065,000	942,644,000
Net AMP liability as a % of payroll		6.17%	7.93%

CHANGES IN TOTAL UNIVERSITY OPEB LIABILITY AND RELATED RATIOS

		Fiscal Year Ending
University OPEB Plan		**June 30, 2018**
Service cost	$	53,099,000
Interest cost		24,648,000
Changes in benefit terms		-
Differences between expected and actual experience		(87,654,000)
Changes of assumptions		(46,406,000)
Benefit payments		(17,211,000)
Net change in total OPEB liability		(73,524,000)
Total OPEB liability (beginning)		820,297,000
Total OPEB liability (ending)	$	746,773,000
Plan Fiduciary Net Position		
Contributions	$	17,211,000
Net investment income		-
Benefit payments		(17,211,000)
Administrative expense		-
Net change in plan fiduciary net position		-
Plan fiduciary net position (beginning)		-
Plan fiduciary net position (ending)		-
Total OPEB liability (ending)	$	746,773,000
Net position as a % of OPEB liability		0.00%
Covered-employee payroll	$	1,475,177,000
Total OPEB liability as a % of payroll		50.62%

Principal Administrative Officers

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Venkat Reddy, Chancellor, University of Colorado Colorado Springs
Dorothy Horrell, Chancellor, University of Colorado Denver
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Kathy Nesbitt, Vice President, Employee and Information Services

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Officers and Staff as of September, 2018

Produced by the Office of University Controller and the Office of the President.

For further information about this report or to request additional copies, contact the Office of the University Controller at 303-837-2110 or controller@cu.edu. An electronic version can be obtained at https://annualreport.cu.edu/2018.

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