2016 ANNUAL FINANCIAL REPORT

THE UNIVERSITY OF UTAH

A Component Unit of the State of Utah

THE UNIVERSITY OF UTAH


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Message from the President
David W. Pershing

For 166 years, the University of Utah has held a principal role in propelling Utah forward. Its founders envisioned this institution as a place that would not only educate and elevate its students but also strengthen and enrich the community and spark prosperity. From the U's humble beginning, it has grown with steady momentum to become the preeminent research and teaching university for which it is internationally recognized today. It's a reputation built on dissemination and discovery of knowledge, innovation, collaboration, technology transfer, and nationally recognized medical care. At the U, we engage local and global communities to promote education, health, and quality of life.

The University of Utah's viability and ability to continue in its important role is reliant upon responsible stewardship of intellectual, physical, and financial resources. We honor that commitment and are grateful for the resources entrusted to this university. We acknowledge the critical contributions made by residents of the state of Utah and their elected leaders, as well as the Utah State Board of Regents and our Board of Trustees for their continued support and service.

The last fiscal year, again, was full of wonderful developments. We have enriched our students' education, advanced research, provided excellence in healthcare, and increased our service to the region.

Two new buildings were dedicated. The S.J. Quinney College of Law provides a stunning new home for legal education. The Jon M. and Karen Huntsman Basketball Facility is yet another outstanding Pac 12-quality sports resource on our campus.

The renovation of the historic Wall Mansion on South Temple, in downtown Salt Lake City, also neared completion at the end of the fiscal year. It is now called the Thomas S. Monson Center and will be a university embassy where the U and the community intersect in meaningful ways. The Lassonde Studios, a living-learning center where entrepreneurial students can live, create, and launch their ideas, also rose from the ground in the past fiscal year, and progress was made on the Gary and Ann Crocker Science Center, which will transform the historic George Thomas Building on Presidents Circle into a cutting-edge teaching and research facility for STEM disciplines. The University of Utah said goodbye to one of the oldest buildings on campus, Orson Spencer Hall, also known as OSH, which will be replaced in fiscal year 2017 with new, state-of-the-art classroom and meeting space. The new facility will also include a welcome center for those visiting the U. For those well-familiarized with campus, another renovation began; the transformation of the Alumni House will allow it to more comfortably host the more than 500 university and community events held there every year. Ground was also broken on the Spence Eccles Ski Team Building. It will house the ski program, which has won 11 NCAA championships and continues to be one of the U's top-performing academic teams.

With each addition and renovation, the capacity for education and community outreach grows. We are grateful for the support that has allowed for these critical improvements to occur.

The University of Utah administration, faculty, and staff are particularly proud of the 8,291 students who graduated in fiscal year 2016. They came to us from 23 Utah counties, all 50 states, and 92 countries. Their success can be celebrated by everyone, for it is through the achievement of their personal ambitions and dreams that we can all envision sustained prosperity.

Thousands of acts of individual kindness have led to the current success of the University of Utah. Treasured friends and donors have set the trajectory. John Widstoe, president of the U from 1916-1921 said, “I hope to see this institution enter into the very life of the state, to help solve problems, to point its way, to help bear its burdens, as well as share in its prosperity.” For more than a century and a half, the University of Utah has expanded its reach within the state and globally because its residents have enlivened this university as partners. Because of the trust and goodwill of many, we are able to provide excellence in education, health care, better our world through research, and elevate lives through the arts, museums, and community outreach programs.

We deeply appreciate those who continue to support the University of Utah. We are proud of what has been achieved together, and we look forward to the future.

Sincerely,

David W. Pershing

Independent State Auditor's Report

To the Board of Trustees, Audit Committee
and
David W. Pershing, President
University of Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Utah (University), a component unit of the State of Utah, as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Utah Hospitals and Clinics (UUHC), ARUP Laboratories Inc. (ARUP), or the University of Utah Research Foundation (UURF), which represent approximately 32 percent, 25 percent, and 51 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UUHC, ARUP, and UURF, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ARUP 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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

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evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2016, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6–14 and the University's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Defined Benefit Pension Contributions on pages 48–49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Message from the President and the listing of Governing Boards and Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. This message and listing have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Office of the Utah State Auditor

Office of the Utah State Auditor
October 21, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the University of Utah (University) and its component units for the year ended June 30, 2016, with selected comparative information for prior fiscal years. This discussion has been prepared by management and should be read in conjunction with the Financial Statements and the Notes to the Financial Statements, which follow this discussion and analysis.

The University's Financial Statements include revenues, expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the entire University entity, including the University of Utah Hospitals and Clinics (UUHC), which is part of University of Utah Health Care, – as well as the balances and activities of two component units: the University of Utah Research Foundation (UURF) and ARUP Laboratories, Inc. (ARUP). UURF specializes in the transfer of patented technology to business entities as well as the leasing and administration of Research Park (a research park located on land owned by the University). ARUP is a national clinical and esoteric reference laboratory. More information about these entities and their inclusion in the financial statements may be found in Note 1—*Summary of Significant Accounting Policies—Reporting Entity*.

ABOUT THE UNIVERSITY OF UTAH

Founded in 1850, the University is the state's oldest and most comprehensive institution of higher education and is the flagship institution of the state system of higher education. The University offers over 100 major subjects at the undergraduate and graduate level, including law and medicine, to over 32,000 students from across the United States and world, preparing students to live and compete in the global workplace. With more than 30,000 employees, it is one of the state's largest employers.

University of Utah Health Care is the only academic medical center in the state of Utah and is nationally ranked. It is also one of only three facilities in the state of Utah that the American College of Surgeons has recognized as a Level 1 trauma center and has also received the National Cancer Institute Cancer Center designation. UUHC is the area's only hospital to offer burn trauma and high risk obstetric air transport.

The financial statements that follow provide additional information on the resources available to the University to accomplish its multi-dimensional mission, and to achieve its goals and objectives, including the many exciting things described above. For more information about the University and its programs and initiatives, please visit www.utah.edu.

OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Notes to the Financial Statements are an integral part of the statements and provide additional details and information important to an understanding of the University's financial position and results of operations.

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University. Net position is one indicator of the current financial condition of the University. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values except for capital assets, which are stated at historical cost less accumulated depreciation.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the fiscal year. The net difference between revenues and expenses, and other changes, is the increase (or decrease) in net position for the year. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash by type of activity—as well as providing a reconciliation to the net operating loss.

The results of operations reflect the University's focus on maintaining its national standards academically, in research, and in health care in a competitive environment. At the same time, the University is addressing constrained base state appropriations and rising health care, regulatory and facility costs with productivity gains to help preserve access to affordable higher education and health care services.

STATEMENT OF NET POSITION

A condensed statement of net position for the past five fiscal years is shown in *Figure 1* below:

Figure 1

Condensed Statement of Net Position - as of June 30 (in thousands)[1]	**2016**	**2015**	**2014**	**2013**	**2012**
Current assets	$1,687,992	$1,672,391	$1,554,857	$1,611,001	$1,439,485
Noncurrent assets					
Capital assets, net	2,718,265	2,504,854	2,412,729	2,345,007	2,288,364
Other noncurrent assets	1,887,210	1,726,576	1,500,050	1,158,414	1,192,431
Total Assets	6,293,467	5,903,821	5,467,636	5,114,422	4,920,280
Deferred Outflow of Resources	75,957	29,249	3,310		
Current liabilities	698,355	643,914	582,192	451,560	369,109
Noncurrent liabilities	1,131,565	1,042,931	774,439	763,138	765,192
Total Liabilities	1,829,920	1,686,845	1,356,631	1,214,698	1,134,301
Deferred Inflow of Resources	17,798	12,810			
Net investment in capital assets	1,784,592	1,641,064	1,633,385	1,614,132	1,569,553
Restricted, nonexpendable	524,471	518,706	501,907	448,353	411,666
Restricted, expendable	510,895	449,189	522,044	507,337	586,683
Unrestricted	1,701,748	1,624,456	1,456,979	1,329,902	1,218,077
Total Net Position	$4,521,706	$4,233,415	$4,114,315	$3,899,724	$3,785,979

[1]As reported in each year's published audited financial statements.

Total net position increased 6.8% from the prior year and 19.4% over the periods shown—due to steady growth in most of the operating revenue categories. These increases indicate steady improvement in financial condition, reflecting the University's prudent management of its resources—despite funding challenges. This surplus has been reinvested within the University to add to the margin of educational excellence, upgrade the University's facilities, and provide a prudent reserve for contingencies. Capital assets increased 8.5% from the prior year primarily due to the addition of new buildings as well as building construction in progress. Other noncurrent assets increased 9.3% from the prior year due to an increase in investments. Deferred Outflows of Resources increased 160% due to an increase in outflows related to pensions. Liabilities increased 8.5% from the prior year primarily as the result of an increase in bonds, notes and contracts payable and an increase in the net pension liability.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The results of the University's operations for the fiscal year are shown in the Statement of Revenues, Expenses, and Changes in Net Position. A condensed statement of revenues, expenses, and changes in net position for the past five fiscal years is shown in *Figure 2* on page 10.

Revenues from tuition and fees increased 4.1% from the prior year—and 20% over the periods shown. This upward trend is reflective of the increases in enrollment and the students' increased contribution toward the University's budget.

Patient services revenues increased 10% from the prior year; and have increased 57.7% over the periods shown. This consistent growth reflects the UUHC's commitment to grow in capacity and quality in servicing the health care needs of the intermountain region.

Figure 2					
Condensed Statement of Revenues, Expenses, and Changes in Net Position – for the years ended June 30 (in thousands)[2]	**2016**	**2015**	**2014**	**2013**	**2012**
Operating revenues					
Tuition and fees, net	$ 316,373	$ 304,008	$ 291,184	$ 281,981	$ 263,631
Patient services, net	1,998,637	1,816,284	1,579,004	1,422,544	1,267,171
Grants and contracts	367,738	362,634	364,975	365,555	401,921
Sales and services	821,071	740,220	671,311	631,772	605,365
Auxiliary and other	256,998	237,262	217,177	205,792	161,858
Total operating revenues	3,760,817	3,460,408	3,123,651	2,907,644	2,699,946
Operating expenses	3,965,735	3,703,864	3,386,191	3,201,911	2,959,630
Operating loss	(204,918)	(243,456)	(262,540)	(294,267)	(259,684)
Nonoperating revenues					
State appropriations	313,518	287,929	273,839	257,456	253,909
Gifts	90,869	101,312	77,056	74,918	61,138
Investment income	27,104	41,557	94,839	46,628	19,877
Other net nonoperating revenue (expense)	(5,889)	11,141	(18,795)	22,475	17,312
Total nonoperating revenues	425,602	441,939	426,939	401,477	352,236
Income before capital and permanent endowment additions	220,684	198,483	164,399	107,210	92,552
Capital and permanent endowment additions	67,607	53,970	50,192	79,529	291,527
Increase in net position	288,291	252,453	214,591	186,739	384,079
Net Position - beginning of year	4,233,415	3,980,962	3,899,724	3,712,985	3,401,900
Net Position - end of year	$ 4,521,706	$ 4,233,415	$4,114,315	$3,899,724	$3,785,979

[2] As reported in each year's published audited financial statements.

Grants and Contracts revenues are flat from the prior year and have decreased 8.5% over the periods shown primarily due to decreases in sponsored project funding at the federal, state and local levels and from nongovernmental entities. The continuing effects of federal sponsors' budget limitations impacts domestic spending, including money granted by federal agencies.

Sales and services revenue increased 10.9% from the prior year, and also maintained a consistent upward trend for the periods shown—increasing 35.6%. The largest contributor to the increase is growth in ARUP's revenues over the period.

Auxiliary and other income increased 8.3% from the prior year and 58.8% over the periods shown primarily due to increases in parking permit revenues, which offset bond payments on new parking garages, increases in Campus Store revenues, increases in concession sales for all Rice Eccles Stadium events and increases in student apartment rents.

With contributions from these significant sources, total operating revenues have increased 8.7% and 39.3%, from the prior year and for the periods shown, respectively.

Operating expenses, have increased as well; 7.1% over the prior year and 34% for the periods shown. With compensation and benefits representing 53.6% of total operating expenses for the current fiscal year, any change in that expense category, even if modest, can have significant impacts on total operating expenses. While salaries have generally been held in check for the past three years due to funding constraints, recruitment and retention of the University's excellent professors, researchers, and physicians requires the payment of competitive salaries. More detail on operating expenses appears below in *Figure 3*.

As a public university, the University of Utah receives funds from a variety of sources in support of its operations. While the Statement of Revenues, Expenses, and Changes in Net Position classifies certain funds as "nonoperating" for the purposes of financial reporting, such funds do, in fact, support the University's operations by covering costs such as salaries and benefits, travel, research expenses, and student aid.

State appropriations increased 8.9% from prior year for modest salary increases, performance-based funding, and ongoing funds for research and graduate student support as well as other mission based initiatives. Gifts decreased 10.3% from the prior year due to several large one time gifts in 2015. Investment income fluctuates from year to year, and reflects the impact of market performance. Fiscal year 2016 investment income decreased significantly from the prior year due to the down market in equity investments.

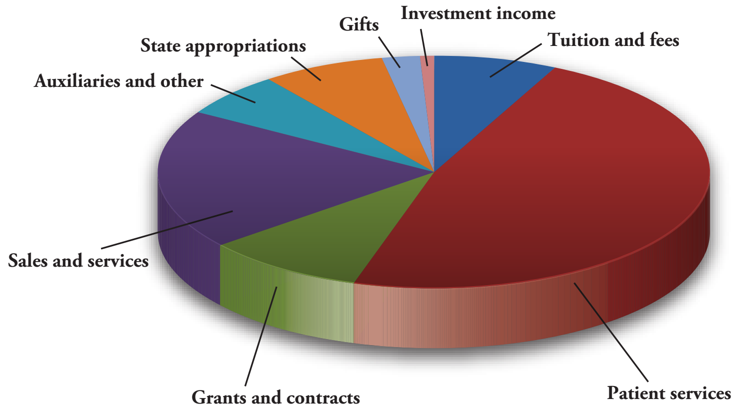
Interest and other expenses increased from the prior year primarily due to the issuance of additional bonds.

The charts on the following page show operating and nonoperating revenues and operating expenses by category.

Figure 3

Total expenses (in thousands)	**2016**	**2015**	**2014**	**2013**	**2012**
Operating expenses					
Compensation and benefits	$2,124,108	$1,931,353	$1,789,054	$1,695,719	$1,581,667
Component units	435,283	395,966	381,829	365,502	356,355
Supplies	498,101	432,171	374,681	339,244	328,922
Depreciation and amortization	204,396	189,481	198,696	186,679	171,867
Other	703,847	754,893	641,931	614,767	520,819
Total operating expenses	3,965,735	3,703,864	3,386,191	3,201,911	2,959,630
Nonoperating expenses					
Interest and other	40,552	34,805	65,070	33,210	36,180
Total expenses	$4,006,287	$3,738,669	$3,451,261	$3,235,121	$2,995,810

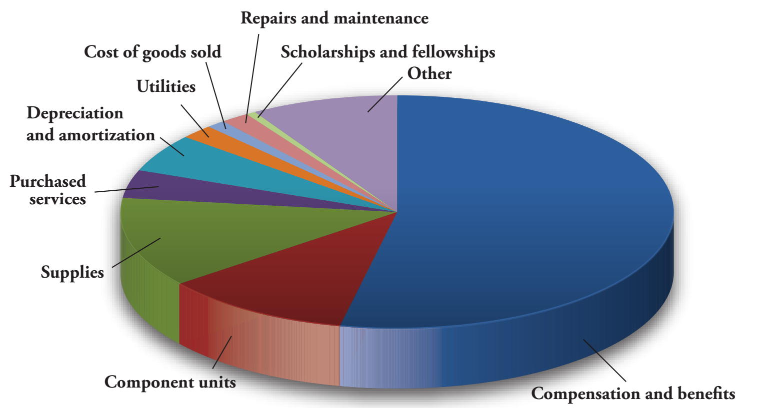
The graph below shows the various types of funding available to support the operations of the University:



Sources of Revenue in Support of Operations
For the Year Ended June 30, 2016 (in thousands)

Tuition and fees	$316,373
Patient services	1,998,637
Grants and contracts	402,401
Sales and services	821,071
Auxiliaries and other	256,998
State appropriations	313,518
Gifts	90,869
Investment income	27,104

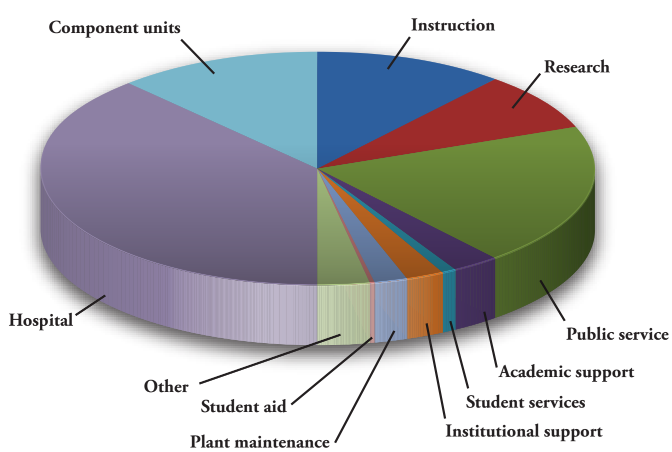
A graphical presentation of the University's operating expenses appears below:



Operating Expenses
For the Year Ended June 30, 2016 (in thousands)

Compensation and benefits	$2,124,108
Component units	435,283
Supplies	498,101
Purchased services	155,401
Depreciation and amortization	204,396
Utilities	81,570
Cost of goods sold	38,675
Repairs and maintenance	66,719
Scholarships and fellowships	29,766
Other	331,716

Note 18 provides more information regarding the classification of operating expenses by "function" (or purpose) as an alternative view to that which is presented on the face of the financial statements. A graphical presentation of the breakdown of operating expenses by functional classification follows:



Functional Classification of Operating Expenses
For the Year Ended June 30, 2016 (in thousands)

Instruction	$446,639
Research	316,343
Public service	786,556
Academic support	110,975
Student services	34,388
Institutional support	81,791
Plant maintenance	80,520
Student aid	5,763
Other	121,660
Hospital	1,517,387
Component units	463,713

Figure 4. Statement of Cash Flows

Condensed Statement of Cash Flows – for the years ended June 30 (in thousands)	**2016**	**2015**	**2014**	**2013**	**2012**
Cash flows provided/(used) by:					
Operating activities	$23,692	$20,282	($39,872)	($51,985)	($97,275)
Noncapital financing activities	465,142	450,662	386,924	387,525	373,559
Capital and related financing activities	(361,844)	(197,718)	(137,461)	(232,193)	(217,177)
Investing activities	(110,779)	(404,932)	(75,814)	11,109	(198,791)
Net increase (decrease) in cash	16,211	(131,706)	133,777	114,456	(139,684)
Cash - beginning of year	539,342	671,048	537,271	422,815	562,499
Cash - end of year	$555,553	$539,342	$671,048	$537,271	$422,815

STATEMENT OF CASH FLOWS

A condensed version of the Statement of Cash Flows is shown in *Figure 4* above.

Cash flows from operating activities primarily consist of tuition and fees, patient services, grants and contracts, and auxiliaries. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations, federal Pell grants and private gifts funds.

Cash increased 3% from the prior year. The University actively manages its investment portfolio by balancing returns and liquidity, which may cause changes in cash balances. Cash and cash equivalents are held to the minimum needed to support operations, with any excess invested with varying maturity dates.

CAPITAL AND DEBT ACTIVITIES

- Some key construction projects were completed including the S.J. Quinney College of Law; Rio Tinto Kennecott Mechanical Engineering Building Expansion & Renovation; Central and Northwest Parking Garages; and the Jon M. and Karen Huntsman Basketball Facility. Ongoing projects include the Huntsman Cancer Institute Phase IV; Farmington Health Care Center; Rice Eccles Stadium Video Board; Shoreline Ridge (HSC Parking Structure); The Lassonde Living and Learning Center; the Thomas S. Monson Center Renovation (formerly the Wall Mansion); and the Crocker Science Center Renovation and Expansion (formally the George Thomas Building). All of the current projects will be completed over the next several years.
- The University issued $68,210,000 of General Revenue and Refunding Bonds Series 2016A on March 8, 2016. Proceeds from these bonds are to be used towards the construction of Orson Spencer Hall Redevelopment and the Orthopaedics Center expansion and, to refund a portion of the Auxiliary and Campus Facilities System Series 2012A bonds.

Strong debt ratings carry substantial advantages for the University, such as continued and wider access to capital markets when the University issues debt, lower interest rates on bonds and the ability to negotiate favorable bond terms.

The University's Administration takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high debt ratings, currently Aa1 according to Moody's and AA+ according to S&P, for our General Revenue Bond System are important indicators of the University's success in this area.

OUTLOOK FOR THE COMING FISCAL YEAR

The University's enrollment for Fall 2016 is up slightly from Fall 2015 (1%) with first-time freshmen up 5.6%. We are seeing the success of a change in recruiting efforts across the State. Enrollment at the undergraduate level is dependent on two factors, pool and participation, that are both heavily influenced by factors within the State. The available pool of potential students, age 18 through 29, is projected to climb steadily through 2023. Enrollment increases should stabilize and steadily increase based on the pool of potential Utah public school students.

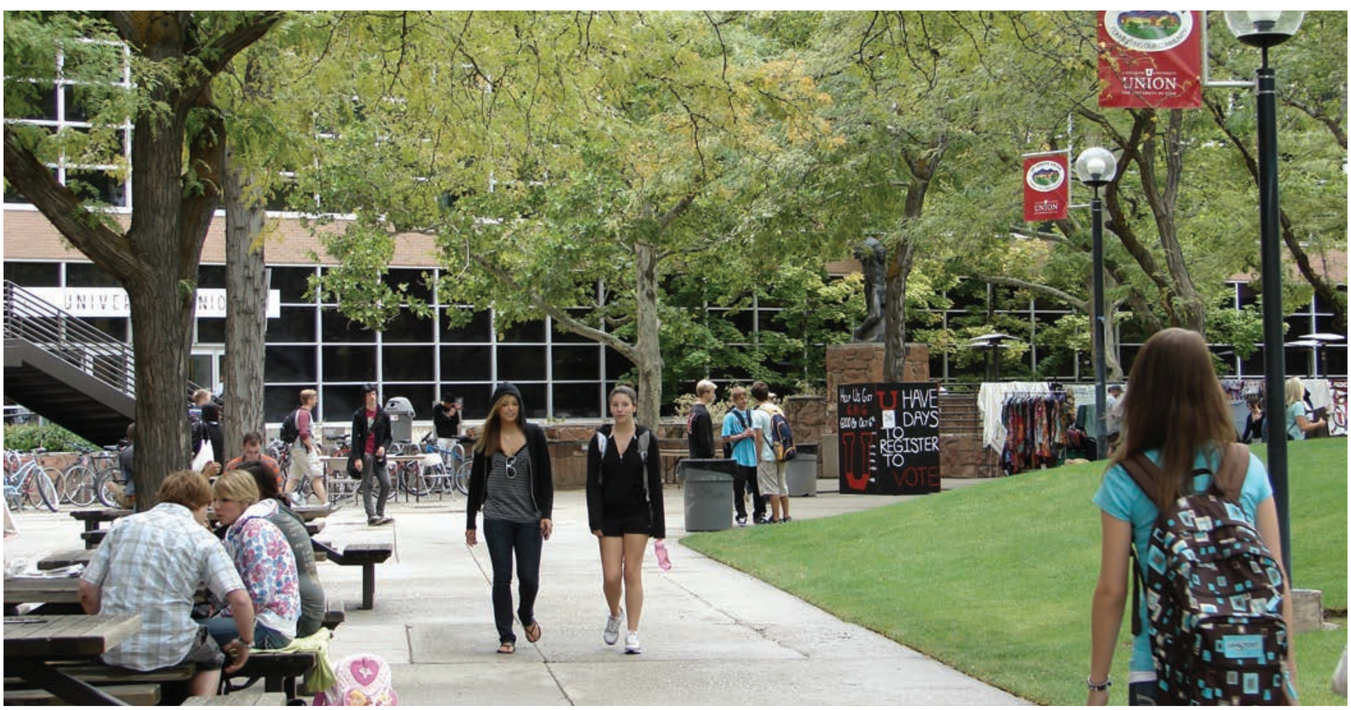
During the 2016 legislative session, the University's recurring budget for 2016–2017 was increased by 4.6% compared to 2015–2016 which included funding to increase salaries, performance-based funding, and ongoing support for market demand programs. The economic growth in Utah is expected to continue during 2016 with job growth forecast to increase at 3.3% for the year. Unemployment in Utah was 3.7% at the end of August 2016 as compared to 4.9% nationally. We are optimistic that the 2017 legislative session will continue to provide additional increases in funding.

During fiscal year 2016, the University raised $204 million from annual giving from all private sources including corporate funding, building donations, endowments and gift funding. The University continues to benefit from the generosity of its donors and supporters and the number of active donors continues to increase. UUHC and ARUP continue to be recognized as leaders in their respective fields. The financial position for each is very strong and is expected to remain so. The University also remains very competitive in attracting research dollars and continues to see increases in sponsored project awards.

The University exercises a prudent approach to the issuance of debt. With the need for expanded research, patient care, and student housing, comes the need to issue debt to support construction. Within the short-term, the University intends to undertake various construction projects, in most cases partially gift-funded, to support these critical areas. In addition, the University evaluates existing debt versus current interest rates to identify opportunities to refinance at better rates.

The University's endowment funds are managed so as to be available to mission-critical programs and initiatives—now and into the future. The University has invested in a portfolio of equity, fixed income and alternative assets whose valuations are impacted by market conditions, sometimes negatively in the short term. However, we believe our portfolio will provide solid financial footing for the University's endowments over the long term.

Overall, the University is in a sound financial position. The institution has strong strategic leadership and prudent financial management that work together to ensure its mission is met in the future.



FINANCIAL STATEMENTS

THE UNIVERSITY OF UTAH | Statement of Net Position

(in thousands of dollars)

As of June 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents (Notes 2 & 4)	$ 422,488
Short-term investments (Notes 2 & 4)	791,343
Receivables, net (Note 5)	381,742
Inventory (Note 1)	65,819
Other assets (Note 6)	26,600
Total current assets	1,687,992
Noncurrent Assets	
Restricted cash and cash equivalents (Notes 2 & 4)	133,065
Restricted short-term investments (Notes 2 & 4)	1,823
Investments (Notes 3 & 4)	1,165,695
Restricted investments (Notes 3 & 4)	500,118
Restricted receivables, net (Note 5)	52,377
Donated property held for sale	2,869
Net pension asset	20
Other assets (Note 6)	31,243
Capital assets, net (Note 7)	2,718,265
Total noncurrent assets	4,605,475
Total assets	6,293,467
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding (Note 1)	7,314
Deferred outflows related to pensions (Note 8)	68,643
Total deferred outflows of resources	75,957
LIABILITIES	
Current Liabilities	
Accounts payable (Note 5)	
to the State of Utah	35,831
to Others	143,447
Accrued payroll	128,175
Compensated absences and early retirement benefits (Notes 1 & 15)	57,091
Unearned revenue (Note 9)	87,860
Deposits and other liabilities (Notes 11 & 15)	122,772
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	3,795
to Others	119,384
Total current liabilities	698,355
Noncurrent Liabilities	
Compensated absences and early retirement benefits (Notes 1 & 15)	23,009
Deposits and other liabilities (Notes 11 & 15)	23,876
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	89,470
to Others	820,610
Net pension liability (Note 8)	174,600
Total noncurrent liabilities	1,131,565
Total liabilities	$ 1,829,920

Continued on next page…

The accompanying notes are an integral part of these financial statements

(in thousands of dollars)

As of June 30, 2016

DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to bonds (Note 1)	$ 211
Deferred inflows related to pensions (Note 8)	17,587
Total deferred inflows of resources	17,798
NET POSITION	
Net investment in capital assets	1,784,592
Restricted for	
Nonexpendable	
Instruction	177,446
Research	49,442
Public service	77,352
Academic support	47,997
Scholarships	164,526
Other	7,708
Expendable	
Research	63,154
Public service	138,013
Academic support	39,020
Institutional support	14,618
Scholarships	68,334
Loans	34,239
Capital additions	69,516
Other	84,001
Unrestricted	1,701,748
Total net position	$ 4,521,706

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Revenues, Expenses, and Changes in Net Position

(in thousands of dollars)

For the Year Ended June 30, 2016

OPERATING REVENUES AND EXPENSES	
Revenues	
Tuition and fees, net (Note 1)	$ 316,373
Patient services, net (Notes 1 & 13)	1,998,637
Federal grants and contracts	248,584
State and local grants and contracts	14,303
Nongovernmental grants and contracts	104,851
Sales and services, net (Note 1)	821,071
Auxiliary enterprises, net (Note 1)	146,407
Other operating revenues	110,591
Total operating revenues	3,760,817
Expenses	
Compensation and benefits	2,124,108
Component units	435,283
Supplies	498,101
Purchased services	155,401
Depreciation and amortization	204,396
Utilities	81,570
Cost of goods sold	38,675
Repairs and maintenance	66,719
Scholarships and fellowships	29,766
Other operating expenses	331,716
Total operating expenses	3,965,735
Operating loss	(204,918)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	313,518
Government grants	34,663
Gifts	90,869
Investment income	27,104
Interest	(38,158)
Other	(2,394)
Total nonoperating revenues	425,602
Income before capital and permanent endowment additions	220,684
CAPITAL AND PERMANENT ENDOWMENT ADDITIONS	
Capital appropriations	22,620
Capital grants and gifts	24,256
Additions to permanent endowments	20,731
Total capital and permanent endowment additions	67,607
Increase in net position	288,291
NET POSITION	
Net position - beginning of year	4,233,415
Net position - end of year	$ 4,521,706

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Cash Flows

(in thousands of dollars)

For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 317,032
Receipts from patient services	1,983,853
Receipts from grants and contracts	381,860
Receipts from auxiliary and educational services	967,915
Collection of loans to students	6,955
Payments to suppliers	(1,601,466)
Payments for compensation and benefits	(2,102,768)
Payments for scholarships and fellowships	(29,766)
Loans issued to students	(6,592)
Other	106,669
Net cash provided by operating activities	23,692
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	313,518
Government grants	34,663
Federal direct loan receipts	135,497
Federal direct loan payments	(135,497)
Gifts	
Endowment	20,739
Nonendowment	93,098
Other	3,124
Net cash provided by noncapital financing activities	465,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	81,734
Capital appropriations	22,475
Gifts	24,240
Purchase of capital assets	(372,305)
Principal paid on capital debt	(74,162)
Interest paid on capital debt	(43,826)
Net cash used by capital and related financing activities	(361,844)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	2,282,609
Receipt of interest and dividends on investments	22,771
Purchase of investments	(2,416,159)
Net cash used by investing activities	(110,779)
Net increase in cash	16,211
Cash - beginning of year	539,342
Cash - ending of year	$ 555,553

Continued on next page…

The accompanying notes are an integral part of these financial statements

(in thousands of dollars)

For the Year Ended June 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (204,918)
Adjustments	
Depreciation and amortization expense	204,396
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Receivables, net	(17,353)
Inventory	(6,615)
Net pension asset	191
Other assets	(5,237)
Deferred outflows related to pensions	(47,388)
Accounts payable	17,851
Accrued payroll	15,158
Compensated absences and early retirement benefits	6,300
Unearned revenue	9,290
Deposits and other liabilities	4,938
Net pension liability	42,039
Deferred inflows related to pensions	5,040
Net cash provided by operating activities	$ 23,692
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital leases	$ 38,914
Donated property and equipment	6,443
Completed construction projects transferred from State of Utah (Note 1)	145
Annuity and life income	(185)
Increase in fair value of investments	3,458
Total noncash investing, capital, and financing activities	$ 48,775

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements report the financial activity of the University of Utah (University), including the University of Utah Hospitals and Clinics (UUHC). The University is a component unit of the State of Utah (State).

Component units are entities that are legally separate from the University, but are financially accountable to the University, or whose relationships with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. University administrators hold a majority of seats on the boards of trustees of two other related entities representing component units of the University. Because the University appoints the majority of the two boards, is able to impose its will on these organizations, and the organizations almost exclusively benefit the University, the financial accountability criteria as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, have been met and the two organizations are included as blended component units of the University. The component units of the University are the University of Utah Research Foundation (UURF) and ARUP Laboratories, Inc. (ARUP). Copies of the financial report of each component unit can be obtained from the respective entity.

- UURF is a not-for-profit corporation governed by a board of directors who, with the exception of one director, are affiliated with the University. The operations of UURF include the leasing and administration of Research Park (a research park located on land owned by the University), the leasing of certain buildings, and the commercial development of patents and products developed by University personnel. As part of its mission to advance technology commercialization, UURF creates new corporate entities to facilitate the startup process. In general, these entities do not have assets. Expenses related to the companies are expensed as incurred. The fiscal year end for UURF is June 30. UURF is audited by other independent auditors and their report, dated September 15, 2016, has been issued under separate cover.
- ARUP is a not-for-profit corporation that provides clinical and anatomic pathology reference laboratory services to medical centers, hospitals, clinics and other clinical laboratories throughout the United States, including UUHC. ARUP contracts with the University of Utah School of Medicine Department of Pathology to provide pathology consulting services. The fiscal year end for ARUP is June 30. Other independent auditors audited ARUP and their report, dated August 31, 2016, has been issued under separate cover.

All GASB pronouncements are applied by the University, UURF, and ARUP in the accounting and reporting of their operations.

B. Basis of Accounting

All statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the instructional, research and public service efforts, and other University priorities. Significant recurring sources of the University's revenues are considered nonoperating as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and required by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Operating revenues include tuition and fees, grants and contracts, patient services, and revenue from various auxiliary and public service functions. Nonoperating revenues include state appropriations, Pell grants and certain government grants, gifts, and investment income. Operating expenses include compensation and benefits, student aid, supplies, repairs and maintenance, utilities, etc. Nonoperating expenses primarily include interest on debt obligations.

When both restricted and unrestricted resources are available, such resources are tracked and spent at the discretion of the department subject to donor restrictions, where applicable.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University recognizes gifts, grants, appropriations, and the estimated net realizable value of pledges as revenue as soon as all eligibility requirements imposed by the provider have been met.

Patient revenue of UUHC and the School of Medicine medical practice plan is reported net of third-party adjustments.

C. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account; or for endowments, distributes according to the University's spending policy.

A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. See Note 4 for more information regarding these investments and the University's outstanding commitments under the terms of the partnership agreements. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

D. Allowances

In accordance with GASB Statement No. 34, certain expenses are netted against revenues as allowances. The following schedule presents revenue allowances for the year ended June 30, 2016:

Revenue Allowances	
Tuition and fees	$65,864,267
Patient services	67,362,652
Sales and services	3,495
Auxiliary enterprises	2,061,227

E. Inventories

The University Campus Store's inventories are valued using the retail inventory method. All other inventories are stated at the lower of cost or market using the first-in, first-out method or, on a basis which approximates cost determined on the first-in, first-out method.

F. Research and Development Costs

Research and development costs of ARUP are expensed as incurred. These costs for the year ended June 30, 2016 were approximately $10.3 million.

G. Compensated Absences & Early Retirement Benefits

Employees' vacation leave, excluding UUHC, is accrued at a rate of eight hours each month for the first five years and increases to a rate of 16.67 hours each month after fifteen years of service. There is no requirement to use vacation leave, but a maximum of thirty days plus one-year accrual may be carried forward at the beginning of each calendar year. Eligible employees are reimbursed for unused vacation leave upon termination and vacation leave is expended when used or reimbursed. The liability for vacation leave at June 30, 2016 was approximately $38.3 million.

Employees earn sick leave at a rate of eight hours each month, with an accumulation limit of 1,040 hours. The University does not reimburse employees for unused sick leave. Each year, eligible employees may convert up to four days of unused sick leave to vacation leave based on their use of sick leave during the year. Sick leave is expended when used.

In addition, the University may provide early retirement benefits, if approved by the Administration and by the Board of Trustees; for certain employees who have attained the age of 60 with at least fifteen years of service and who have been approved for the University's early retirement program. Currently, 71 employees participate in the early retirement program. The University pays each early retiree an annual amount equal to the lesser of 20% of the retiree's final salary or their estimated social security benefit, as well as health care and life insurance premiums, which is approximately 50% of their early retirement salary, until the employee reaches full social security retirement age. In accordance with GASB Statement No. 47,

Accounting for Termination Benefits, the amount recognized on the financial statements was calculated at the discounted present value of the projected future costs which includes an estimated annual increase of 2%. A discount rate of 0.590% was used and is based on the average rate earned by the University on cash management investments for the fiscal year. The funding for these early retirement benefits is provided on a pay-as-you-go basis. For the year ended June 30, 2016, these expenditures were approximately $3.6 million.

Employees of UUHC receive a combined accrual for paid time off in lieu of the separate vacation and sick accruals received by University employees. Accrual rates for paid time off begin at 13.33 hours per month and increase each five years until the maximum accrual of 20.00 hours per month is reached after ten years of service. The maximum number of hours which can be carried forward at the beginning of a calendar year is 520 hours for staff and 600 hours for managers and directors. Employees who meet specified accrual balances have the option to receive an annual payout of up to 80 hours in May or November. Employees are paid for all unused paid time off hours upon termination. The cost of paid time off is accrued each month by the Hospital. The liability for paid time off at June 30, 2016 was approximately $41 million.

H. Construction

The Utah State Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions, maintains records, and furnishes cost information for recording plant assets on the books of the University. Interest expense incurred for construction of capital facilities is considered immaterial and is not capitalized. Construction projects administered by DFCM are not recorded on the books of the University until the facility is available for occupancy.

I. Deferred Outflows and Inflows

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, losses incurred due to refunding of bond debt are reported as deferred outflows rather than as reductions to bond liabilities, gains resulting from bond refinancing transactions are reported as deferred inflows. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, deferred outflows and deferred inflows of resources related to pensions have been recorded. Further information regarding pension reporting is found in Note 8.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (Systems) and additions to/deductions from the Systems fiduciary net position have determined on the same basis as they are reported by the Systems. 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.

2. CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less. Cash, depending on source of receipts, is pooled, except for cash and cash equivalents held by ARUP and when legal requirements dictate the use of separate accounts. The cash balances are invested principally in short-term investments that conform to the provisions of the *Utah Code*. It is the practice of the University that the investments ordinarily be held to maturity at which time the par value of the investments will be realized.

The Utah State Treasurer's Office operates the Utah Public Treasurer's Investment Fund (PTIF) which is managed in accordance with the State of Utah Money Management Act (Act) and is available for investment of funds administered by any Utah public treasurer.

Short-term investments have original maturities longer than three months and remaining maturities of one year or less.

At June 30, 2016, cash and cash equivalents and short-term investments consisted of:

Cash and Cash Equivalents	
Cash	$ (8,130,704)
Money market funds	145,505,800
Repurchase agreements	96,500,000
Utah Public Treasurer's Investment Fund	321,677,821
Total (fair value)	$ 555,552,917

Short-term Investments	
Time certificates of deposit	$ 987,389
U.S. Treasuries	74,915,486
U.S. Agencies	656,497,544
Corporate notes	60,765,715
Total (fair value)	$ 793,166,134

3. INVESTMENTS

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds that are authorized by the University administration to be separately invested or which are separately invested to meet legal or donor requirements. Investments received as gifts are recorded at fair value on the date of receipt. Other investments are also recorded at fair value.

University personnel manage certain portfolios, while other portfolios are managed by banks, investment advisors or through trust agreements.

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the *Utah Code*, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending practice at June 30, 2016 was 4% of the twelve quarter moving average of the market value of the endowment pool. The spending practice is reviewed periodically and any necessary changes are made. In general, nearly all of the University's endowment is subject to spending restrictions imposed by donors.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2016 was approximately $134,010,000. The net appreciation is a component of restricted expendable net position.

At June 30, 2016, the investment portfolio composition was as follows:

Investments	
Time certificates of deposits	$ 4,464,764
U.S. Treasuries	55,765,430
U.S. Agencies	613,683,305
Municipal bonds	4,256,849
Corporate notes	64,870,194
Mutual funds	908,310,204
Common and preferred stocks	14,462,132
Total (fair value)	$1,665,812,878

4. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the Act that relate to the deposit and investment of public funds.

Except for endowment funds and investments by ARUP, the University follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

For endowment funds, the University follows the requirements of the UPMIFA, the State Board of Regents' Rule 541, *Management and Reporting of Institutional Investments* (Rule 541), and the University's investment policy and endowment guidelines.

Deposits

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned.

At June 30, 2016, the carrying amounts of the University's deposits and bank balances were $6,290,299 and $44,382,158, respectively. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage up to $250,000 for demand deposits and $250,000 for time and savings deposits at each banking institution. As a result, the bank balances of the University were insured for $874,970, by the FDIC. The bank balances in excess of $874,970 were uninsured and uncollateralized, leaving $43,507,188 exposed to custodial credit risk. The University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories, as defined and required by the Act.

Investments

The Act defines the types of securities authorized as appropriate investments for the University's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable agreements; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The UPMIFA, Rule 541, and the University's endowment guidelines allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the SEC, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

Fair Value of Investments

The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2016, the University had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities				
Money market mutual funds	$ 145,158,796		$ 145,158,796	
Repurchase agreements	96,500,000		96,500,000	
Utah Public Treasurer's Investment Fund	321,677,821		321,677,821	
Time certificates of deposit	5,452,153		5,452,153	
U.S. Treasuries	130,680,916		130,680,916	
U.S. Agencies	1,270,180,849		1,270,180,849	
Corporate notes	125,635,909		125,635,909	
Municipal bonds	4,256,849		4,256,849	
Mutual bond funds	237,312,852		237,312,852	
Total debt securities	2,336,856,145		2,336,856,145	
Equity securities				
Common and preferred stocks	14,462,132	$14,167,132		$ 295,000
Mutual equity funds	378,788,495		378,788,495	
Total equity securities	393,250,627	14,167,132	378,788,495	295,000
Alternative investments				
Hedged equity	40,446,233			40,446,233
Private equity	58,919,923			58,919,923
Credit sensitive fixed income	34,159,347			34,159,347
Private real estate	12,965,036			12,965,036
Private natural resources	7,522,927			7,522,927
Diversifying strategies	138,195,388			138,195,388
Total alternative investments	292,208,857			292,208,857
Total investments measured at fair value	$3,022,315,629	$14,167,132	$2,715,644,640	$292,503,857

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets;
- Repurchase Agreements: valued at purchase price due to very short term to maturity;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Utah Public Treasurer's Investment Fund: application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the University's ending balance in the Fund.

Debt and equity securities classified as Level 3 may include common and preferred equity securities, partnership interests and ownership in similar entities, and, other privately issued securities. Many of these investments are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and may be limited partnerships. When observable prices are not available for these securities or identical assets, the University and a third-party investment consultant use one or more valuation techniques, for which sufficient and reliable data is available. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs, as well as, the relative reliability of the inputs. In some cases, one valuation technique may provide the best indication of fair value, which in other circumstances multiple valuation techniques may be appropriate. The results provided by these various valuation methods may not be equally representative of fair value, due to changes in assumptions made during the valuation. When multiple valuation techniques are used, the University evaluates the reasonableness of the range of possible values and uses a fair value measurement based on the University's and the investment consultant's assessment of the most representative point within the range.

Under terms of various limited partnership agreements approved by the Board of Trustees or by University officers, the University is obligated to make periodic payments for advance commitments to venture capital and private equity investments. As of June 30, 2016, the University had committed, but not paid a total of $38.2 million in funding for these alternative investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 days -15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering

Figure 1.		**Investment Maturities (in years)**			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Money market mutual funds	$ 145,158,796	$ 145,158,796			
Repurchase agreements	96,500,000	96,500,000			
Utah Public Treasurer's Investment Fund	321,677,821	321,677,821			
Time certificates of deposit	5,452,153	987,389	$ 4,464,764		
U.S. Treasuries	130,680,916	74,915,486	55,765,430		
U.S. Agencies	1,270,180,849	656,497,544	584,256,619	$ 29,426,686	
Corporate notes	125,635,909	60,765,715	64,870,194		
Municipal bonds	4,256,849		984,911		$ 3,271,938
Mutual bond funds	237,312,852		5,385,773	231,927,079	
Totals	$ 2,336,856,145	$ 1,356,502,751	$ 715,727,691	$ 261,353,765	$ 3,271,938

Figure 2.				**Quality Rating**			
Investment Type	**Fair Value**	**AAA/A-1***	**AA**	**A**	**BBB**	**Unrated**	**No Risk**
Money market mutual funds	$ 145,158,796	$ 50,990,766				$ 94,168,030	
Repurchase agreements – underlying:							
U.S. Agencies	96,500,000		$ 96,500,000				
Utah Public Treasurer's Investment Fund	321,677,821					321,677,821	
Time certificates of deposit	5,452,153	2,495,580				2,956,573	
U.S. Treasuries	130,680,916						$ 130,680,916
U.S. Agencies	1,270,180,849	636,498,864	595,599,503			38,082,482	
Corporate notes	125,635,909		4,869,866	$ 96,098,953	$ 24,426,443	240,647	
Municipal bonds	4,256,849	3,271,938	984,911				
Mutual bond funds	237,312,852		84,715,382			152,597,470	
Totals	$ 2,336,856,145	$ 693,257,148	$ 782,669,662	$ 96,098,953	$ 24,426,443	$ 609,723,023	$ 130,680,916

*A-1 is Commercial paper, Certificates of deposit and Agency Note rating the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2016, the University had debt investments with maturities as shown in *Figure 1* on page 29.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed.

At June 30, 2016, the University had debt investments with quality ratings as shown in *Figure 2* on page 29.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a 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. The University's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the Act. As required by the Act, all applicable securities purchased were delivered versus payment and held in safekeeping by a bank. Also, as required, the ownership of book-entry-only securities, such as U.S. Treasury or Agency securities, by the University's custodial bank was reflected in the book-entry records of the issuer and the University's ownership was represented by a receipt, confirmation, or statement issued by the custodial bank.

At June 30, 2016, the University's custodial bank was both the custodian and the investment counterparty for $1,396,450,234 of U.S. Treasury and Agency securities purchased by the University; and $4,411,531 of U.S. Treasury and Agency securities were held by the custodial bank's trust department but not in the University's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

For endowments, the University, under Rule 541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's Pool Asset Allocation Guidelines allocates endowment funds in the following asset classes:

Asset Category	Target	Range
Global Marketable Equities	**40%**	**30% - 50%**
Public Equities	25%	15% - 50%
Hedged Equity*	5%	0% - 10%
Private Equity*	10%	0% - 15%
Global Marketable Fixed Income	**20%**	**10% - 40%**
Interest Rate Sensitive	11%	5% - 40%
Credit Sensitive*	9%	0% - 20%
Real Assets	**20%**	**10% - 30%**
Real Estate*	7%	0% - 15%
Natural Resources*	8%	0% - 10%
Infrastructure*	5%	0% - 10%
Diversifying Strategies*	**20%**	**0% - 30%**

*May include semi-liquid hedge funds or illiquid private capital funds.

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. At June 30, 2016, the University held more than 5% of its total investments in the Federal Home Loan Bank, the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. These investments represent 12.2%, 6.2%, 16.4% and 6%, respectively, of the University's total investments.

5. RECEIVABLES AND ACCOUNTS PAYABLE

Accounts, pledges, and interest receivable include hospital patient accounts, medical services plan accounts, trade accounts, pledges, interest income on investments, and other receivables. Loans receivable predominantly consist of student loans.

Allowances for doubtful accounts are established by charges to operations to cover anticipated losses from accounts receivable generated by sales and services and student loans. Such accounts are charged to the allowance when collection appears doubtful. Any subsequent recoveries are credited to the allowance accounts. Allowances are not established for pledges or in those instances where receivables consist of amounts due from governmental units or where receivables are not material in amount.

The following schedule presents receivables at June 30, 2016, including approximately $21.6 million and $30.8 million of noncurrent loans, and pledges receivable, respectively:

Accounts	$ 629,974,476
Grants and contracts	14,163,215
Loans	30,439,736
Pledges	34,848,040
Notes	190,168
Interest	2,869,923
	712,485,558
Less allowances for doubtful accounts	(278,365,975)
Receivables, net	$ 434,119,583

The following schedule presents the major components of accounts payable at June 30, 2016:

Vendors	$ 79,046,156
Interest	15,279,991
Payable to State	35,830,653
Other	49,121,596
Total accounts payable	$ 179,278,396

6. OTHER ASSETS

Goodwill associated with the purchase of certain health clinics and prepaid rent to the State of Utah, for the Huntsman Cancer Hospital, is amortized using the straight-line method. The June 30, 2016 balance of prepaid rent to the State was $28,088,128.

In the course of licensing intellectual property to business partners, the UURF may be granted an equity position in the entity the business partner has organized to commercialize University technology. The primary purpose of licensing University technology to the commercial entity, as well as, providing funding to the commercial entity, is to encourage research and positively impact the state, nation and world. The equity holdings the UURF is granted are a consequence of licensing University technology and do not meet the definition of investments for purposes of GASB 72 and thus, are classified as other assets in the Statement Net Position.

7. CAPITAL ASSETS

Buildings; infrastructure and improvements, which include roads, curb and gutter, streets and sidewalks, and lighting systems; land; equipment; library materials; and intangible assets (primarily software) are valued at cost at the date of acquisition or, at fair market value at the date of donation in the case of gifts. Buildings, infrastructure and improvements, and additions to existing assets are capitalized when acquisition cost equals or exceeds $250,000 for the University or $5,000 for UUHC. Equipment is capitalized when acquisition costs exceed $5,000 for the University or $2,500 for UUHC. All costs incurred in the acquisition of library materials are capitalized. Purchased software

Figure 3.	Beginning Balance	Additions	Retirements	Ending Balance
Buildings	$ 2,831,264,027	$ 207,882,100	-	$ 3,039,146,127
Infrastructure and improvements	328,726,508	14,107,902	($2,370,070)	340,464,340
Land	39,797,039	4,333,386	-	44,130,425
Equipment (including intangibles)	985,293,608	100,682,255	(31,974,477)	1,054,001,386
Library materials	143,916,043	1,193,493	(264,995)	144,844,541
Art and special collections	65,698,667	7,085,044	(289,264)	72,494,447
Construction in progress	191,600,245	289,951,038	(205,859,302)	275,691,981
Total cost	4,586,296,137	625,235,218	(240,758,108)	4,970,773,247
Less accumulated depreciation				
Buildings	1,081,924,422	94,072,468	-	1,175,996,890
Infrastructure and improvements	181,512,595	17,509,378	(2,367,699)	196,654,274
Equipment	694,416,184	90,499,593	(29,952,455)	754,963,322
Library materials	123,589,427	1,561,236	(256,560)	124,894,103
Total accumulated depreciation	2,081,442,628	203,642,675	(32,576,714)	2,252,508,589
Capital assets, net	$ 2,504,853,509	$ 421,592,543	($208,181,394)	$ 2,718,264,658

is capitalized when acquisition costs are $100,000 or greater and developed software is capitalized when development costs are $1,000,000 or greater for the University or $2,500 for both purchased and developed software for UUHC. All campus land acquired through grants from the U.S. Government has been valued at $3,000 per acre. Other land acquisitions have been valued at original cost or fair market value at the date of donation in the case of gifts. Buildings, improvements, land, and equipment of component units have been valued at cost at the date of acquisition.

Capital assets of the University and its component units are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives of University assets extends to forty years on buildings, fifteen years on infrastructure and improvements, twenty years on library books, from five to twenty years on equipment and from five to ten years on software. The estimated useful lives of component unit assets extend to fifty years on buildings and improvements and from three to eight years on equipment. Land, art and special collections, and construction in progress are not depreciated.

At June 30, 2016, the University had outstanding commitments for the construction and remodeling of University buildings of approximately $38,403,038.

Capital assets at June 30, 2016, are shown in *Figure 3* on page 31.

8. PENSION PLANS AND RETIREMENT BENEFITS

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the University are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF), the UUHC 401(a) Plan, the UUHC Hospital Plan Plus (HPP) Benefit Program, or Fidelity Investments (Fidelity). Eligible employees of ARUP are covered by a separate defined contribution pension plan and a profit sharing plan.

<u>Defined Benefit Plans</u>

Eligible plan participants are provided with pensions through the following Systems:

- Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) both of which are cost-sharing, multiple-employer public employee retirement systems.
- The Public Safety Retirement System (Public Safety System) which is a cost-sharing, multiple-employer public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System), and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System) which are multiple employer, cost sharing, public employee retirement systems.

The Tier 2 Public Employee System and the Tier 2 Public Safety and Firefighter System were created July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date, are members of the Tier 2 Retirement Systems.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated*, 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System				
System	**Final Average Salary**	**Years of Service required and/ or age eligible for benefit**	**Benefit percent per year of service**	**COLA****
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* With actuarial reductions

** All post-retirement cost of living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
Noncontributory System				
State and School Division Tier 1	N/A	N/A	22.19%	1.5%
Contributory System				
State and School Division Tier 1	6.00%	N/A	17.70%	N/A
State and School Division Tier 2	N/A	N/A	18.24%	1.78%
Public Safety System				
Public Safety Tier 1	N/A	N/A	41.35%	N/A
Public Safety Tier 2	N/A	N/A	29.21%	N/A

* Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 plans.

For the year ended June 30, 2016, the University and employee contributions to the plans were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	$ 27,133,967	N/A
Contributory System	1,058,540	-
Public Safety System	682,809	-
Tier 2 Public Employees System	7,878,405	-
Tier 2 Public Safety and Firefighter System	103,266	-
Total	$ 36,856,987	$ 0

Contributions reported are the URS Board approved required contributions. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

At June 30, 2016, the University's net pension asset and liability were as follows:

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	5.0636198%	-	$ 159,062,799
Contributory System	19.930389%	-	12,489,421
Public Safety System	1.4156717%	-	3,047,750
Tier 2 Public Employees System	6.6436913%	$ 14,503	-
Tier 2 Public Safety and Firefighter System	0.3987816%	5,826	-
Total Net Pension Asset / Liability		$ 20,329	$ 174,599,970

The net pension asset and liability were measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, the University recognized pension expense of $37,376,839 for the defined benefit pension plans.

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,012	$ 13,051,744
Changes in assumptions	-	3,333,170
Net difference between projected and actual earnings on pension plan investments	49,791,778	-
Changes in proportion and differences between contributions and proportionate share of contributions	659,290	1,201,653
Contributions subsequent to the measurement date	18,190,829	-
Total	$ 68,642,909	$ 17,586,567

Contributions made between January 1, 2016 and June 30, 2016 of $18,190,829 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	Deferred Inflows of Resources
2016	$ 7,274,347
2017	7,274,347
2018	7,772,924
2019	10,764,615
2020	(40,578)
Thereafter	(180,140)

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The following assumption changes were adopted from the most recent actuarial study: a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.5%, a modification to the rate of salary increases for most groups, a decrease in the payroll growth assumption from 3.5% to 3.25%. The post retirement mortality assumption for female educators improved and the pre-retirement mortality assumption had minor changes. Additional changes were made to certain demographic assumptions. As a result, more members are anticipated to terminate employment prior to retirement, slightly fewer members are expected to become disabled, and members are expected to retire at a slightly later age.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term expected portfolio real rate of return**
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.5% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as, what the proportionate share of the net pension liability would be if calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate Share of Net Pension Liability (Asset)			
Noncontributory System	$ 287,897,658	$159,062,799	$ 51,034,596
Contributory System	28,238,856	12,489,421	(870,664)
Public Safety	5,335,422	3,047,750	1,161,307
Tier 2 Public Employees System	2,659,621	(14,503)	(2,041,240)
Tier 2 Public Safety and Firefighter System	9,904	(5,826)	(17,906)
Totals	$ 324,141,461	$ 174,579,641	$ 49,266,093

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Plans

The University offers employees the choice between URS, TIAA-CREF, and Fidelity for individual retirement funds. Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) and 457 savings plans administered by the Utah Retirement Systems (Systems). The University contributes 1.5% and 1.78%, respectively, of participating employees' annual salaries to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employee defined contribution plan and Tier 2 Public Safety and Firefighter defined contribution plan, the University is required to contribute 20.02% and 30.54%, respectively, of the employee's salary, of which 10% and 12%, respectively, is paid into the 401(k) 457 plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law. During the year ended June 30, 2016, the University's contribution totaled $3,338,950, which was included in the pension expense, and the participating employees' voluntary contributions totaled $141,640. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

TIAA-CREF and Fidelity provide individual retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2016, the University's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. Additional contributions are made by the University based on employee contracts. The University has no further liability once contributions are made.

UUHC employees hired prior to January 1, 2001, who were not enrolled in the URS program, are enrolled in a 401(a) defined contribution plan that is administered by the UUHC Chief Human Resources Officer. The administrator has the authority to amend, modify, or terminate the plan. UUHC is required to contribute 14.2% of covered payroll to the plan for the employees covered under this plan. Hospital employees hired subsequent to December 31, 2000 are enrolled in a separate 401(a) plan, the Hospital Plan Plus (HPP) Benefit Program. UUHC contributes 6% for employees covered under this plan. In addition, these employees are eligible for a match on employee contributions to a 403(b) Match Plan up to 3% of salary and fully vest in the UUHC's contributions to both plans after six years of service. Plan member contributions were approximately $19,317,000 for the year ended June 30, 2016.

The ARUP defined contribution pension and profit sharing plans provide retirement benefits for all employees. Employees may choose to pay into the federal social security tax system or to participate in an enhanced ARUP retirement program. For those who choose to continue to pay social security taxes, ARUP makes contributions each pay period amounting to 5.00% of their compensation and ARUP continues to make matching social security tax contributions. For those who discontinue paying social security taxes, ARUP makes contributions each pay period amounting to 8.10% of their compensation and does not contribute any social security tax on their behalf. There are no minimum service and vesting requirements relating to pension contributions.

Contributions to the profit sharing plan are at the discretion of ARUP and are made subject to certain tenure-based and hours-worked thresholds. Employees are fully vested in the profit sharing plan after five years of service.

In addition, employees of the University may also contribute to 403(b), 457(b) traditional, Roth IRA, or a 401(k) plan. The total fiscal year 2016 employee contributions to these plans were $66,974,540.

For the year ended June 30, 2016, the University's contributions to the defined contribution plans were equal to the required amounts, as shown in *Figure 4*:

Figure 4.	**2016**
TIAA-CREF	$ 83,502,877
Fidelity	57,776,108
401(a), Hospital Plan Plus, & 403(b)	35,503,000
Employer 401(a), 401(k), 403(b), 457(b) Contributions	3,338,950
ARUP defined contribution plan	12,495,525
Profit sharing plan	11,245,284
Total contributions	$ 203,861,744

9. UNEARNED REVENUE

Unearned revenue consists of summer session tuition and fees, advance payments on grants and contracts, advance ticket sales for various athletic and cultural events, and results of normal operations of auxiliary enterprises and service units.

10. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others are neither in the possession of nor under the management of the University. These funds, which are not recorded on the University's financial records and which arose from contributions, are held and administered by external fiscal agents, selected by the donors, who distribute net income earned by such funds to the University, where it is recorded when received. The fair value of funds held in trust at June 30, 2016 was $118,659,370.

In addition, certain funds held in trust by others are comprised of stock, which is reported at a value of $13,928,751 as of June 30, 2016, based on a predetermined formula. The fair value of this stock as of June 30, 2016 cannot be determined because the stock is not actively traded.

11. RISK MANAGEMENT

The University maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (building and equipment) through policies administered by the Utah State Division of Risk Management. Employees of the University and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund.

In addition, the University maintains self-insurance funds for health care, dental, and auto/physical damage, as well as hospital and physicians malpractice liability self-insurance funds. The malpractice liability self-insurance funds are held in trust with an independent financial institution in compliance with Medicare reimbursement regulations. Based on an analysis prepared by an independent actuary, the administration believes that the balance in the trust funds as of June 30, 2016, is adequate to cover any claims incurred through that date. The University and UUHC have a "claims made" umbrella health care professional malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances, the coverage provides for $15 million per claim and $15 million in the aggregate.

The estimated self-insurance claims liability is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the University's estimated self-insurance claims liability for the years ended June 30 is shown in *Figure 5* below.

The University has recorded the investments of the malpractice liability trust funds at June 30, 2016, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self-insurance and malpractice liability trust funds, and the estimated provision for the claims liability for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

12. INCOME TAXES

The University, as a political subdivision of the State, has a dual status for federal income tax purposes. The University is both an Internal Revenue Code (IRC) Section 115 organization and an IRC Section 501(c) (3) charitable organization. This status exempts the University from paying federal income tax on revenue generated by activities which are directly related to the University's mission. This exemption does not apply to unrelated business activities. On these activities, the University is required to report and pay federal and state income tax.

UURF is not subject to income taxes under Section 501(c) (3) of the IRC. ARUP is also not subject to income taxes based on a private letter ruling from the Internal Revenue Service stating that certain income providing an essential governmental function is exempt from federal income taxes under IRC Section 115.

13. HOSPITAL REVENUE

A. Net Patient Service Revenue

UUHC reports net patient service revenue at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements

Figure 5.	2016	2015
Estimated claims liability - beginning of year	$ 67,182,734	$ 50,549,017
Current year claims and changes in estimates	165,471,688	206,315,934
Claim payments, including related legal and administrative expenses	(148,502,615)	(189,682,218)
Estimated claims liability - end of year	$ 84,151,807	$ 67,182,733

are determined. Charity care is excluded from net patient service revenue.

UUHC has third-party payor agreements with Medicare and Medicaid that provide for payments to UUHC at amounts different from established rates. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicaid program beneficiaries and certain outpatient services and defined capital costs related to Medicare beneficiaries are paid on a cost reimbursement basis. Medicare reimbursements are based on a tentative rate with final settlement determined after submission of annual cost reports by UUHC and audits thereof by the Medicare fiscal intermediary.

The estimated final settlements for open years are based on preliminary cost findings after giving consideration to interim payments that have been received on behalf of patients covered under these programs.

B. Charity Care

UUHC maintains records to identify and monitor the level of charity care it provides. Based on established rates, the charges foregone as a result of charity care during the year ended June 30, 2016, were approximately $77.4 million.

14. LEASES

A. Revenue

UURF receives lease revenues from noncancellable sublease agreements with tenants of the Research Park and from tenants occupying eight buildings owned by UURF. The lease revenue to be received from these noncancellable leases for each of the subsequent five years is $10.0 million. Most lease revenue is subject to escalation based on changes in the Consumer Price Index (CPI). Since such escalations are dependent upon future changes in the CPI, these escalations, if any, are not reflected in the minimum noncancellable lease revenues listed above.

At June 30, 2016, the historical cost of land and buildings held for lease and the related accumulated depreciation was $83.1 million and $24.5 million, respectively.

B. Commitments

The University leases buildings and office and computer equipment. Capital leases are valued at the present value of future minimum lease payments. Assets associated with the capital leases are recorded as buildings and equipment together with the related long-term obligations. Assets currently financed as capital leases amount to $88.5 million and $141.9 million for buildings and equipment, respectively. Accumulated depreciation for these buildings and equipment was $12.4 million and $66.1 million, respectively. Operating leases and related assets are not recorded in the Statement of Net Position. Payments are recorded as expenses when incurred and amount to $18.5 million for the University and $5.8 million for component units for the year ended June 30, 2016. Total operating lease commitments for the University include approximately $8.1 million of commitments to component units.

Included in the above component unit lease expenses are leases by ARUP for its principal laboratory and office buildings, under long-term agreements, from a publicly traded real estate investment trust. The agreements have initial terms of fifteen years with renewal options ranging from ten to twenty years and include rent increases of two to three percent annually in the sixth and eleventh years from the commencement of the lease. Total lease payments related to these buildings for the year ended June 30, 2016 were $5.96 million.

Future minimum lease commitments for operating and capital leases as of June 30, 2016 are shown in *Figure 6* on page 40.

Figure 6.

Fiscal Year	Operating	Capital
2017	$ 30,538,909	$ 32,596,914
2018	25,326,171	25,742,694
2019	25,462,452	19,685,769
2020	17,627,505	24,890,289
2021	16,339,746	23,601,531
2022 – 2026	58,137,066	68,898,268
2027 – 2031	14,760,816	46,974,286
2032 – 2036	1,420,582	
2037 – 2041	1,370,10	
2042 – 2046	1,362,17	
2047 – 2051	794,602	
Total future minimum lease payments	$ 193,140,133	242,389,751
Amount representing interest		(38,181,962)
Present value of future minimum lease payments		$ 204,207,789

15. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The long-term debt of the University consists of bonds payable, certificates of participation, capital lease obligations, compensated absences, net pension liability, and other obligations.

The State Board of Regents issues revenue bonds to provide funds for the construction and renovation of major capital facilities and the acquisition of capital equipment for the University. In addition, revenue bonds have been issued to refund other revenue bonds and capitalized leases.

The revenue bonds are special limited obligations of the University. The obligation for repayment is solely that of the University and payable from the net revenues of auxiliary enterprises and UUHC, student building fees, land grant income, and recovered indirect costs. Neither the full faith and credit nor the taxing power of the State or any other political subdivision of the State is pledged to the payment of the bonds, the distributions or other costs associated with the bonds.

During fiscal year 2014, the University issued Taxable Commercial Paper General Revenue Refunding Notes Series 2013B in the amount of $100,000,000. The Notes have rolling maturities up to 270 days from the date of issuance and are included in the University's Notes and Contracts Payable. The balance due at June 30, 2016 is $60,000,000 and is all due within the next fiscal year.

During fiscal year 2016, the University issued $68,210,000 of General Revenue and Refunding Bonds Series 2016A. Proceeds from these bonds are to be used towards the construction of Orson Spencer Hall and the Orthopaedics Center expansion and, to refund a portion of the Auxiliary and Campus Facilities System Series 2012A bonds.

The following schedule lists the outstanding bonds payable and certificates of participation of the University at June 30, 2016:

Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Current Liability	Balance 6/30/2016(a)
Auxiliary and Campus Facilities						
Series 1998A - Revenue Refunding	7/1/98	2029	4.100% - 5.250%	$120,240,000	$ 34,571	$ 30,976,002
Series 2010A - Revenue Refunding	5/11/10	2020	2.000% - 5.000%	23,515,000	161,005	680,635
Series 2010C - Revenue	12/28/10	2036	1.750% - 5.890%	42,525,000	1,415,000	39,950,000
Series 2012A - Revenue	7/10/12	2030	2.000% - 5.000%	46,235,000	2,037,995	13,227,342
Hospital Facilities						
Series 2006A - Revenue Refunding	10/26/06	2022	4.000% - 5.250%	77,145,000	1,131,658	12,361,746
Series 2009A - Revenue	12/17/09	2017	4.000% - 5.000%	9,135,000	2,243,759	2,243,759
Series 2009B - Taxable Revenue	12/17/09	2031	4.697% - 5.247%	41,785,000	-	41,785,000
Series 2010 - Revenue	8/2/10	2021	3.000% - 5.000%	36,120,000	1,849,559	12,060,110
Series 2011A - Revenue Refunding	5/24/11	2027	3.600%	20,145,000	1,155,000	15,370,000
Series 2011B – Revenue Refunding	7/28/11	2021	3.350% - 5.000%	66,480,000	2,941,161	16,034,113
Research Facilities						
Series 2008A - Revenue Refunding	10/7/08	2022	3.250% - 5.000%	9,360,000	715,608	4,770,210
Series 2009A - Revenue	8/26/09	2019	4.000% - 5.000%	19,080,000	2,213,344	6,908,582
Series 2009B - Taxable Revenue	8/26/09	2029	5.670% - 6.279%	27,730,000	-	27,730,000
General Revenue						
Series 2013A - Revenue	7/30/13	2043	5.000%	127,925,000	205,754	137,783,065
Series 2014A - Revenue Refunding	4/1/14	2027	4.000% - 5.000%	32,785,000	1,490,343	36,938,156
Series 2014B - Revenue Refunding	7/15/14	2038	2.000% - 5.000%	76,200,000	1,735,755	86,308,716
Series 2015A - Revenue Refunding	1/7/15	2034	1.500% - 5.000%	45,330,000	6,157,454	44,721,372
Series 2015B - Revenue Refunding	5/13/15	2035	3.000% - 5.000%	91,570,000	4,822,937	106,933,572
Series 2016A - Revenue Refunding	3/8/16	2036	3.000% - 5.000%	68,210,000	-	82,862,391
Certificates of Participation						
Series 2007	4/3/07	2018	4.000% - 5.500%	42,450,000	2,104,513	4,319,026
Series 2015	6/10/15	2026	1.800%	10,050,000	525,000	9,785,000
Total					$32,940,416	$733,748,797

(a) Includes unamortized premiums on refunding.

UURF has purchased four buildings with three mortgages that are guaranteed by the University and two Notes Payable to the University. The remaining amounts of the mortgages are $2,549,992 at 8.87% interest, $1,445,153 at 7.15% interest and $28,624,202 at 5.53% interest. The mortgages will be paid off on April 1, 2020, September 1, 2021 and September 30, 2028, respectively. The Notes call for annual payments at 4% and 2% interest until June and October 2024.

The following schedule summarizes the changes in long-term liabilities for the year ended June 30, 2016. The beginning balances of capital leases payable and notes and contracts payable have been adjusted due to a change in financing arrangements for certain equipment.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 685,920,289	$ 82,862,391	$ 49,137,909	$ 719,644,771	$ 30,310,903
Certificates of participation	16,360,249	-	2,256,223	14,104,026	2,629,513
Capital leases payable	185,713,758	38,913,803	20,419,772	204,207,789	27,291,150
Notes and contracts payable	97,835,274	15,999	2,548,826	95,302,447	62,947,149
Total long-term debt	985,829,570	121,792,193	74,362,730	1,033,259,033	123,178,715
Compensated absences	73,800,603	68,584,114	62,284,591	80,100,126	57,090,896
Net pension liability	132,560,686	42,039,284	-	174,599,970	-
Deposits & other liabilities	138,134,942	129,686,905	121,173,280	146,648,567	122,772,395
Total long-term liabilities	$1,330,325,801	$ 362,102,496	$ 257,820,601	$1,434,607,696	$ 303,042,006

Maturities of principal and interest requirements for long-term debt payable are as follows:

	Payments	
Fiscal Year	Principal	Interest
2017	$ 123,178,715	$ 39,284,107
2018	64,865,528	37,700,731
2019	57,423,735	35,638,774
2020	68,976,777	33,289,743
2021	65,417,315	30,701,602
2022 – 2026	294,430,786	114,894,236
2027 – 2031	188,814,312	58,155,683
2032 – 2036	48,618,968	34,695,362
2037 – 2041	51,136,611	25,612,075
2042 – 2046	70,396,286	5,619,625
Total	$ 1,033,259,033	$ 415,591,938

Interest related to bond systems with pledged revenues amounts to $364,751,097 and is included in the interest amounts in the above schedule.

16. RETIREMENT OF DEBT

In the current and prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The total principal amount of defeased bonds held in irrevocable trusts at June 30, 2016 is $235,950,000.

The University issued General Revenue Refunding Bonds Series 2016A during the fiscal year to partially refund $21.2 million of the Auxiliary and Campus Facilities System Series 2012A bonds as described in Note 15. The refunding activity had limited impact on the retirement period but did result in a decrease of aggregate debt service payments of $3.5 million and a present value economic gain of approximately $3.3 million.

17. PLEDGED BOND REVENUE

The University issues revenue bonds to provide funds for the construction and renovation of major capital facilities and the acquisition of capital equipment for the University. Investors in these bonds rely solely on the net revenue pledged by the general revenue of the University for the retirement of outstanding bonds payable.

Figure 7 presents the net revenue pledged and the principal and interest paid for the year ended June 30, 2016.

Figure 7.	
Revenue	
Operating revenue	$ 2,609,040,373
Nonoperating revenue	26,075,06
Total revenue	2,635,115,442
Expenses	
Operating expenses	2,366,759,363
Total expenses	2,366,759,363
Net pledged revenue	$ 268,356,079
Principal and interest paid	$ 53,672,672

18. FUNCTIONAL CLASSIFICATION OF EXPENSES

The following schedule presents, in thousands of dollars, operating expenses by functional classification for the year ended June 30, 2016:

Function	Compensation and Benefits	Supplies and Services	Utilities	Scholarships & Fellowships	Depreciation & Amortization	Component Units	Total
Instruction	$ 349,594	$ 47,825	$ 2,228	$ 46,992			$ 446,639
Research	211,685	99,712	2,246	2,700			316,343
Public service	656,862	92,490	30,237	6,214	$ 753		786,556
Academic support	76,273	33,249	1,127	326			110,975
Student services	22,969	10,160	562	697			34,388
Institutional support	87,301	(12,351)	5,518	1,323			81,791
Plant maintenance	32,399	31,397	16,724				80,520
Student aid	4,072	34,730	15	(33,054)			5,763
Other	52,628	(60,275)	7,349	4,568	117,390		121,660
Hospital	625,518	813,675	15,564		62,630		1,517,387
Component Units	4,807				23,623	$ 435,283	463,713
Total	$ 2,124,108	$ 1,090,612	$ 81,570	$ 29,766	$ 204,396	$ 435,283	$ 3,965,735

19. JOINT VENTURES

The Utah Education Network (UEN) is a publicly funded consortium administered by the University supporting educational technology needs for Utah's public and higher education institutions, public libraries, and state agencies. UEN provides internet access for all Utah public middle schools, high schools, and higher education institutions. UEN also operates a fully interactive distance learning network interconnecting public schools and higher education institutions statewide. State appropriation support of UEN amounted to $32.3 million for the year ended June 30, 2016. UEN is not separately audited but is included in the audited financial statements of KUEN, a public broadcasting television station operated by the University. Copies of those statements can be obtained from KUEN's administrative offices.

20. BLENDED COMPONENT UNITS

The following schedules present, exclusive of eliminations, condensed statements of net position, changes in net position, and cash flows for UURF and ARUP for the year ended June 30, 2016:

Condensed Statement of Net Position	UURF	ARUP	Total
ASSETS			
Current Assets			
Receivable from University		$ 3,687,370	$ 3,687,370
Other	$ 14,111,130	346,799,014	360,910,144
Capital assets, net	61,220,633	128,252,258	189,472,891
Other noncurrent assets	7,345,157	496,195	7,841,352
Total assets	82,676,920	479,243,837	561,911,757
LIABILITIES			
Current liabilities			
Payable to University		7,287,336	7,287,336
Other	7,370,445	59,788,921	67,159,366
Noncurrent liabilities	37,099,672	4,537,052	41,636,724
Total liabilities	44,470,117	71,613,309	116,083,426
NET POSITION			
Net investment in capital assets	21,026,047	128,252,2528	149,278,305
Unrestricted	17,180,756	279,369,270	292,550,026
Total net position	$ 38,206,803	$ 407,621,528	$ 445,828,331

Condensed Statement of Revenues, Expenses, and Changes in Net Position	UURF	ARUP	Total
OPERATING REVENUES			
Leases	$ 15,352,716		$ 15,352,716
Royalties	5,975,420		5,975,420
Sales and services		$ 549,688,495	549,688,495
Net increase in fair value of investments	4,785		4,785
Total operating revenues	21,332,921	549,688,495	571,021,416
OPERATING EXPENSES			
Operating expenses	11,996,817	444,026,648	456,023,465
Depreciation	2,041,766	21,581,071	23,622,837
Total operating expenses	14,038,583	465,607,719	479,646,302
Operating income	7,294,338	84,080,776	91,375,114
NONOPERATING REVENUES (EXPENSES)			
Investment income	39,150	(457,012)	(417,862)
Interest expense	(2,187,932)		(2,187,932)
Sale of equity investments	1,436,425		1,436,425
Distributions to the University	(1,672,745)	(59,846,755)	(61,519,500)
Total nonoperating expenses	(2,385,102)	(60,303,767)	(62,688,869)
Net increase in net position	4,909,236	23,777,009	28,686,245
NET POSITION			
Net position – beginning of year	33,297,567	383,844,519	417,142,086
Net position – end of year	$ 38,206,803	$ 407,621,528	$ 445,828,331

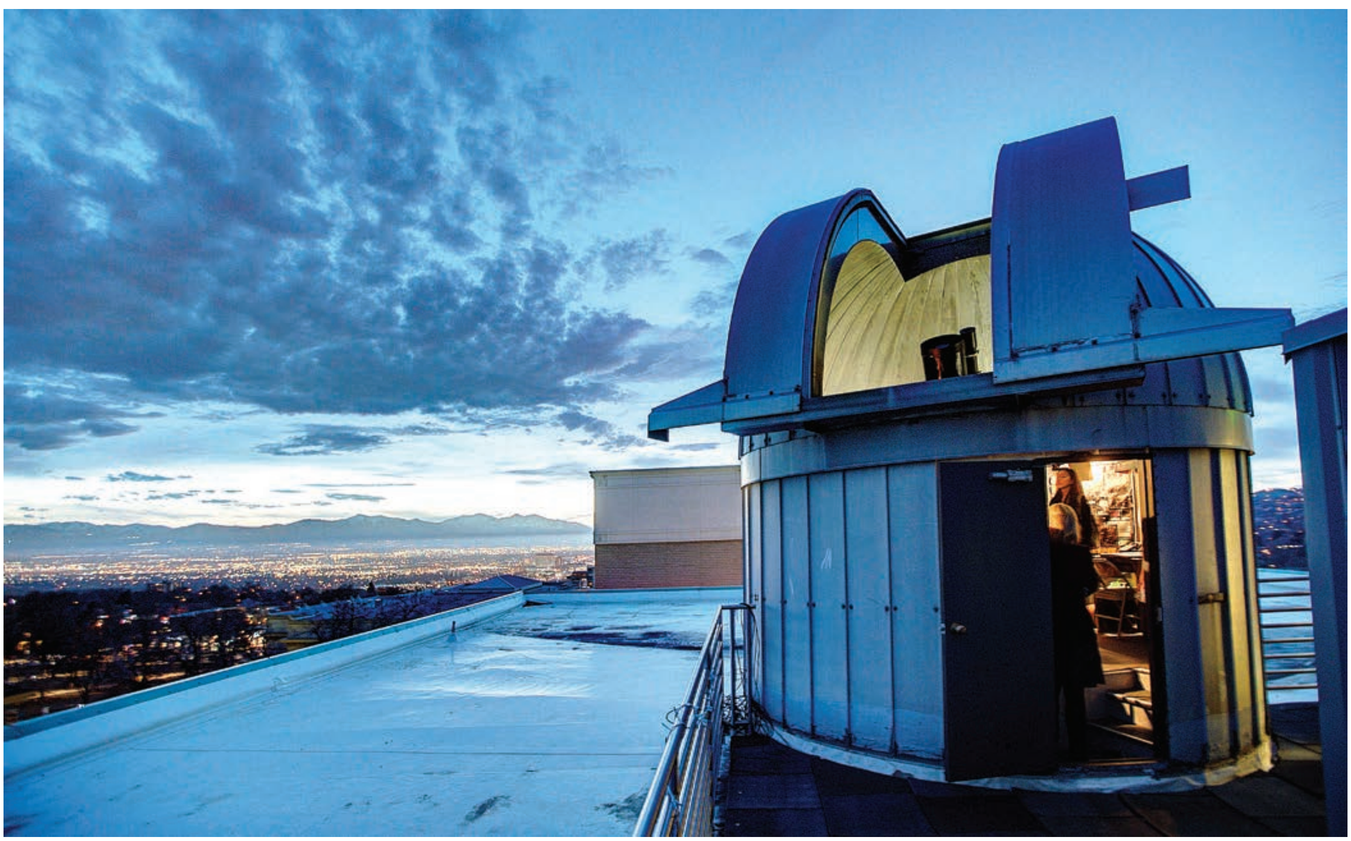
Condensed Statement of Cash Flows			
	UURF	ARUP	Total
Net cash provided by operating activities	$ 9,428,685	$ 101,256,529	$ 110,685,214
Net cash provided/(used) by noncapital financing activities	(1,672,745)	(59,705,005)	(61,377,750)
Net cash used by capital and related financing activities	(7,466,662)	(31,658,142)	(39,124,804)
Net cash used by investing activities	(101,910)	(13,320,425)	(13,422,335)
Net increase (decrease) in cash	187,368	(3,427,043)	(3,239,675)
Cash - beginning of year	14,445,226	16,132,680	30,577,906
Cash - end of year	$ 14,632,594	$ 12,705,637	$ 27,338,231

21. SUBSEQUENT EVENTS

In August 2016, the Utah Retirement Systems board approved a change to the discount rate of 7.5%, previously used to calculate the net pension liability, to 7.2%. This reduction will increase both the collective net pension liability to be calculated as of December 31, 2016 and the University's share of this liability. However, the monetary effect of this change is not known.

In July 2016, ARUP negotiated the purchase of its main facility at 500 Chipeta Way for $75.8 million with the settlement to be no later than January 15, 2017. The purchase of the property will eliminate future minimum lease payments and the related property tax obligation will cease due to ARUP's tax exempt status.

In November 2016, the University intends to issue $131.72 million of General Revenue and Refunding Bonds Series 2016B. Principal on the bonds is due annually commencing August 1, 2017 through June 30, 2037. Bond interest is due semi-annually commencing February 1, 2017 at rates ranging from 2.00% to 5.00%. Proceeds from these bonds are to be used to construct an ambulatory care facility and a School of Business Executive Education building, to refund a certain outstanding obligations of the University, and to pay costs of issuance.



REQUIRED SUPPLEMENTARY INFORMATION

University of Utah Proportionate Share of the Net Pension Liability Noncontributory, Contributory, & Tier 2 Public Employees Systems of the Utah Retirement Systems		
	2016	**2015**
Noncontributory System		
Proportion of net pension liability (asset)	5.06361980%	5.10932610%
Proportionate share of net pension liability (asset)	$ 159,062,799	$ 128,373,118
Covered payroll	$ 124,949,531	$ 129,614,271
Proportionate share of net pension liability (asset) as a percentage of covered payroll	127.30%	99.00%
Plan fiduciary net position as a percentage of total pension liability	84.50%	87.20%
Contributory System		
Proportion of net pension liability (asset)	19.93038900%	18.75239770%
Proportionate share of net pension liability (asset)	$ 12,489,421	$ 2,056,560
Covered payroll	$ 6,313,501	$ 6,757,960
Proportionate share of net pension liability (asset) as a percentage of covered payroll	197.82%	30.40%
Plan fiduciary net position as a percentage of total pension liability	92.40%	98.70%
Public Safety System		
Proportion of net pension liability (asset)	1.41567170%	1.14690980%
Proportionate share of net pension liability (asset)	$ 3,047,750	$ 2,131,232
Covered payroll	$ 1,951,440	$ 1,637,085
Proportionate share of net pension liability (asset) as a percentage of covered payroll	156.18%	130.20%
Plan fiduciary net position as a percentage of total pension liability	82.30%	84.30%
Tier 2 Public Employees System		
Proportion of net pension liability (asset)	6.64369130%	6.78702880%
Proportionate share of net pension liability (asset)	$ (14,503)	$ (205,677)
Covered payroll	$ 42,922,742	$ 33,308,008
Proportionate share of net pension liability (asset) as a percentage of covered payroll	-0.03%	-0.60%
Plan fiduciary net position as a percentage of total pension liability	100.20%	103.50%
Tier 2 Public Safety and Firefighter System		
Proportion of net pension liability (asset)	0.39878160%	0.36002060%
Proportionate share of net pension liability (asset)	$ (5,826)	$ (5,326)
Covered payroll	$ 237,408	$ 148,982
Proportionate share of net pension liability (asset) as a percentage of covered payroll	-2.45%	-3.60%
Plan fiduciary net position as a percentage of total pension liability	110.70%	120.50%

*Note: The University implemented GASB Statement No. 68 in fiscal year 2015. Information on the University's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

University of Utah — Schedule of Contributions

Noncontributory System	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 27,133,967	$ 28,061,542	$ 27,124,989	$ 35,151,747	$ 26,111,760	$ 25,170,054	$ 22,945,702	$ 23,467,419	$ 22,751,689	$ 21,910,610
Contribution in Relation to the Contractually Required Contribution	(27,133,967)	(28,061,542)	(27,124,989)	(35,151,747)	(26,111,760)	(25,170,054)	(22,945,702)	(23,467,419)	(22,751,689)	(21,910,610)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$123,098,874	$126,960,128	$132,937,438	$150,750,438	$155,167,201	$154,233,966	$161,351,781	$165,031,055	$159,996,874	$154,081,280
Contributions as a Percentage of Covered Payroll	22.0%	22.1%	20.4%	23.3%	16.8%	16.3%	14.2%	14.2%	14.2%	14.2%

Contributory System	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[1]	2009[1]	2008[1]	2007[1]
Contractually Required Contribution	$ 1,058,540	$ 1,164,742	$ 1,096,361	$ 687,650	$ 403,590	$ 270,496	$ 1,397,844	$ 1,527,460	$ 1,555,310	$ 1,581,565
Contribution in Relation to the Contractually Required Contribution	(1,058,540)	(1,164,742)	(1,096,361)	(687,650)	(403,590)	(270,496)	(1,397,844)	(1,527,460)	(1,555,310)	(1,581,565)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,985,358	$ 6,580,469	$ 6,865,132	$ 5,696,793	$ 3,173,040	$ 1,517,153	$ 8,886,486	$ 9,710,488	$ 9,887,540	$ 10,054,453
Contributions as a Percentage of Covered Payroll	17.7%	17.7%	16.0%	12.1%	12.7%	17.8%	15.7%	15.7%	15.7%	15.7%

Public Safety System	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[2]	2009[2]	2008[2]	2007[2]
Contractually Required Contribution	$ 682,809	$ 550,177	$ 486,603	$ 468,024	$ 427,891	$ 407,628	N/A	N/A	N/A	N/A
Contribution in Relation to the Contractually Required Contribution	(682,809)	(550,177)	(486,603)	(468,024)	(427,891)	(407,628)				
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Covered Payroll	$ 2,117,893	$ 1,707,174	$ 1,642,290	$ 1,611,246	$ 1,635,298	$ 1,244,666				
Contributions as a Percentage of Covered Payroll	32.2%	32.2%	29.6%	29.0%	26.2%	32.7%				

Tier 2 Public Employees System	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[3]	2009[3]	2008[3]	2007[3]
Contractually Required Contribution	$ 7,878,405	$ 6,995,912	$ 4,707,627	$ 2,945,339	$ 1,728,653	$ 1,158,587	N/A	N/A	N/A	
Contribution in Relation to the Contractually Required Contribution	(7,878,405)	(6,995,912)	(4,707,627)	(2,945,339)	(1,728,653)	(1,158,587)				
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Covered Payroll	$ 43,203,966	$ 38,336,356	$ 28,113,543	$ 24,400,464	$ 13,590,742	$ 6,498,259				
Contributions as a Percentage of Covered Payroll[5]	18.2%	18.2%	16.7%	12.1%	12.7%	17.8%				

Tier 2 Public Safety and Firefighter System	2016	2015	2014[1]	2013[1]	2012[1]	2011[4]	2010[4]	2009[4]	2008[4]	2007[4]
Contractually Required Contribution	$ 103,266	$ 50,424	$ 32,261	$ 8,581	$ 3,929	N/A	N/A	N/A	N/A	N/A
Contribution in Relation to the Contractually Required Contribution	(103,266)	(50,424)	(32,261)	(8,581)	(3,929)					
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -					
Covered Payroll	$353,411	$172,330	$117,742	$77,303	$37,598					
Contributions as a Percentage of Covered Payroll[5]	29.2%	29.3%	27.4%	11.1%	10.5%					

[1] Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.
[2] The University of Utah began participating in Public Safety Systems in 2011.
[3] The Tier 2 Public Employees System was created in 2011.
[4] The University began contributing to the Tier 2 Public Safety and Firefighter System in 2012.
[5] For employees participating in the Public Employees and Public Safety Firefighters Tier 2 Systems, the University is required to contribute 18.24% and 29.21%, respectively, of the employees' salaries to the Systems.

The University makes the required contributions by paying approximately 10% in to the Tier 2 Systems while the remainder is contributed to the Tier 1 Noncontributory System and Public Safety System, as required by law.

The amounts reported here reflect the contributions to the Tier 2 systems rather than the total required.

THE UNIVERSITY OF UTAH

Annual Finance Report prepared by:
The University of Utah | Controller's Office
201 South Presidents Circle, Room 408
Salt Lake City, UT 84112-9023
801.581.5077 | Fax 801.585.5257