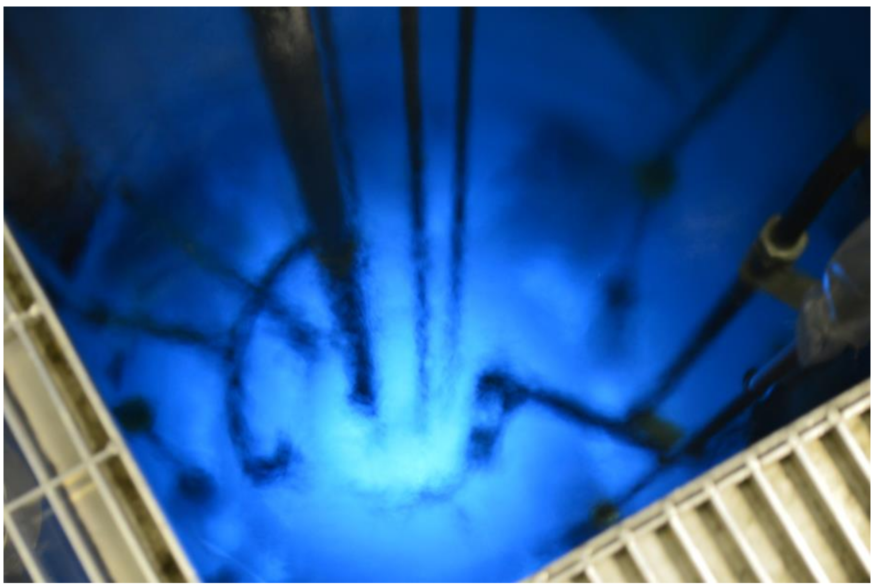
MCCLELLAN NUCLEAR RESEARCH CENTER
FINANCIAL QUALIFICATION REPORT

UNIVERSITY OF CALIFORNIA DAVIS



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Contents

1. INTRODUCTION

This Financial Qualifications Report is submitted pursuant to the requirements of 10 CFR 50.33, 10CFR 50.71, and 10 CFR 50.75. Pursuant to 10 CFR 50.33(f)(2), none of the provisions of 10 CFR 50.33(d) apply. The applicant is a government institution of the State of California. Pursuant to 10 CFR50.71(b), a copy of the most recent financial statement for University of California Davis is appended to this report. Please reference Attachment 1, University of California Davis Annual Financial Report 2017.

2. ANNUAL FUNDING AND OPERATING EXPENDITURES

Pursuant to 10 CFR 50.33(f)(2), the estimated annual funding (Sources) and expenditures (Uses) for the first 5-year period after the projected license renewal are given in Table 1. As indicated below, the projected annual sources and uses levels are equal.

Table 1-McClellan Nuclear Research Center Projected Annual Sources and Uses [1]

SOURCES & USES OF FUNDS	2018-19	2019-20	2020-21	2021-22	2022-23	Percent Change
Sources						
Indirect Cost Recovery	$ 30,000	$ 35,000	$ 3,000	$ 3,000	$ 3,000	0.0%
Contracts & Grants	$ 250,000	$ 250,000	$ -	$ -	$ -	n/a
Self Supporting Activities - Income & Recharges	$ 410,000	$ 420,000	$ 430,000	$ 440,000	$ 450,000	2.3%
University Augmented Resources:						
Gifts & Endowment	$ 776,000	$ 800,000	$ 824,000	$ 849,000	$ 874,500	3.0%
Other Fund Types	$ 170,000	$ 173,000	$ 170,000	$ 170,000	$ 170,000	0.0%
Total Sources	**$ 1,636,000**	**$ 1,678,000**	**$ 1,427,000**	**$ 1,462,000**	**$ 1,497,500**	**2.4%**
Uses						
Personnel	$ 986,000	$ 1,016,000	$ 1,047,000	$ 1,079,000	$ 1,111,500	3.0%
Operating and F&A Cost	$ 400,000	$ 412,000	$ 380,000	$ 383,000	$ 386,000	0.8%
Contracts & Grants	$ 250,000	$ 250,000	$ -	$ -	$ -	n/a
Total Sources of Funds	**$ 1,636,000**	**$ 1,678,000**	**$ 1,427,000**	**$ 1,462,000**	**$ 1,497,500**	**2.4%**

[1] *Personnel budget estimate includes salaries and wages for all facility administrative, reactor operators and research staff, and graduate students.*

Bases and Assumptions:

A. Budget figures above represent fiscal year projections (July 1st thru June 30th) over a 5-year period with projected increases estimated at 2.4% annual rate of inflation.
B. Funding and expenditures for research development and experimental capabilities has been included in these budget estimates.

3. DECOMMISSIONING REPORT

Pursuant to 10 CFR 50.33(k) and 10 CFR 50.75(d), the following is a decommissioning report containing the following:

1) Cost estimate for facility decommissioning.

2) Indication of method used to provide funding assurance for decommissioning.

3) A means of periodically adjusting the cost estimate and associated funding level over the life of the facility.

3.1. Decommissioning Cost Estimate

3.1.1. UCD/MNRC Decommissioning Cost based on 2015 Dade Moeller Study

A study was conducted in 2015 for the University of California Davis by Dade Moeller and Associates. This study largely derived its cost estimate based on modifying individual line item costs of the University of Illinois Urbana-Champlain (UIUC) TRIGA reactor decommissioning. This was done as the UIUC reactor was one of the most recent TRIGA reactors of comparable maximum power rating to the UCD/MNRC reactor.

3.1.2. Comparison with Recent Representative Decommissioning Projects

Per NUREG 1537 Part 1 Guideline for Preparing and Reviewing Applications for the Licensing if Non-Power Reactors – Format and Content Section 15.3[3], as an additional basis for estimating the decommissioning costs of the UCD/MNRC Reactor, actual recent decommissioning costs from two representative reactor facilities are considered:

1) The Ford Reactor at the University of Michigan, decommissioning completed in 2015, at an actual cost of $14.4 million. The 2 MW reactor structure and associated experimental facilities were decommissioned and removed, but the reactor building remained in place. The bulk of the deconstruction activity and low level radioactive waste shipments occurred in 2007.

2) The PULSTAR Reactor Facility at SUNY Buffalo, decommissioning completed in 2015, at an actual cost of $14.1 million. The entire reactor facility, including the 2 MW reactor structure, containment building, and associated administrative building was decommissioned and removed. The bulk of the deconstruction activity and low level radioactive waste shipments occurred in 2014.

The two reactors referenced resided in states that were not members of a radioactive waste compact at the time the facilities were decommissioned. The low level radioactive waste from the deconstruction and decommissioning of these facilities was shipped to the LLW disposal facility in Clive, Utah. This would also be the case for the UCD/MNRC reactor, as the State of California is also not currently part of a waste compact. Applying the methodology of NUREG-1307[2] and using the known costs of the two representative reactor facility decommissioning efforts as bases, cost estimates for decommissioning these facilities in 2018 dollars are given in Table 2 below.

Table 2 – Estimated 2018 Decommissioning costs for two representative research reactors

Reactor Facility	Primary Year of Deconstruction	Total Actual Cost	Labor Adjusted L_X	Energy Adjusted E_X	Waste Burial Adjusted R_X	Estimated 2016 Decommissioning Cost[1]	Corrected 2018 Decommissioning Cost[2]
Ford Reactor	2007	$14.4 M	1.192	0.796	1.317	$16,800,000	$17,460,000
Buffalo PULSTAR	2014	$14.1 M	1.047	0.892	1.011	$14,400,000	$14,970,000

1: The estimated decommissioning cost is corrected from the primary year of deconstruction to 2016 based on the formulas of NUREG-1307 Section 3[1] and applying the labor, energy, and waste burial correction factors as given.
2: The Corrected 2017 Decommissioning Cost is calculated by applying an Organization for Economic Cooperation and Development (OECD) projected 2017 U.S. inflation factor of 1.9% and projected 2018 U.S. inflation factor 2.0%[4].

3.1.3. Discussion of Costs

Out of the two cases studied, the decommissioning of the Ford Reactor is considered the most representative relative to the MNRC reactor (even though it was not a TRIGA reactor) based on the following factors. It is important to note, the MNRC is a highly specialized facility that has no direct analog among other research reactors.

1) The MNRC staff adjusted the original cost estimate of the Dade Moeller study to increase the direct costs associated with decommissioning the MNRC reactor and reactor building to what the they felt was more appropriate. This was done for several reasons. The Dade Moeller study based decommissioning estimates by scaling up the costs of decommissioning of the UIUC TRIGA reactor. While the core of the MNRC is similar to the UIUC reactor, the rest of the facility is substantially more complex than the UIUC reactor facility. The increased contingency factor places MNRC decommissioning cost estimates more in line with the Ford Reactor actual decommissioning costs. It is believed, this is the most appropriate recent comparison because the Ford reactor was a highly utilized 2 MW reactor with associated facilities more complex than typical "pedestal style" TRIGA reactors (like at UIUC). A 25% contingency is included per the requirement.
2) The Ford reactor facility and the MNRC facility contain a large number of complex radioactive beamlines embedded in concrete. These embedded items require a large amount of resources to remove.
3) Much of the cost overrun at the Ford Reactor was a result of unanticipated radioactive contamination (from primary water) in the soil under the reactor. It is thought that no primary water from the MNRC reactor has leaked into the soil under the MNRC reactor.

4) Decommissioning of the MNRC will likely require the removal of more radioactive concrete than the Ford reactor (10,500 cubic feet). This additional cost is difficult to quantify as the extent of slightly activated concrete in the MNRC's massive neutron radiography bays is unknown at this time. This additional cost could offset the Ford reactor's cost overrun from the unexpected soil contamination.
5) Overall square footage of the facilities is nearly identical.
6) The decommissioning of the Ford Reactor at the University of Michigan did not include the removal of the reactor building. Significant additional costs were incurred given the logistics of deconstructing the reactor facility without removing the surrounding building. This cost will likely offset the cost of demolishing the very large amount of non-activated concrete (relative to the Ford reactor) at MNRC during reactor building demolition.

3.1.4. 2018 UCD/MNRC Reactor Decommissioning Estimate:

Given the discussion above, it is thought that the decommissioning cost (in 2018 dollars) for the UCD/MNRC TRIGA reactor would be bounded by the $24.9 Million estimate given below.

Table 3 – Estimated 2018 Decommissioning costs for UCD/MNRC Reactor

	Year of Estimate	Total Uninflated Cost	Corrected 2018 Decommissioning Cost
Decommissioning Costs	2015	$16,850,000	$17,760,000
University Staffing Cost	2017	$6,920,000	$7,130,000

The modified Dade Moeller estimate was determined to be $16.85 million in 2015 dollars including project management costs. Applying an Organization for Economic Cooperation and Development (OECD) average projected annual U.S. inflation estimate of 2.0% [4] from 2015 to 2018 dollars yields an estimated MNRC facility decommissioning cost of $17.8 million in 2018 dollars. A 25% contingency factor per NRC requirements is included in the cost estimate. This estimate assumes that the University of California Davis will utilize the DECON method of decommissioning, removing and disposing of all radioactive waste offsite. Based on the decommissioning timeline of the Ford reactor (if no delays had been encountered), a minimum UCD/MNRC staffing cost estimate during decommissioning was made. This estimate includes essential utilities and services (e.g. phone, internet, climate control, etc.) required during the decommissioning process. This staffing cost was calculated to be $6.92 million in 2017 dollars. Using a 3% cost escalation, the 2018 UCD/MNRC staffing cost is expected to be $7.13 million. This estimate also includes a 3% escalation per year during the duration of the decommissioning. The total decommissioning cost is therefore expected to $24.9 million.

Cost includes all building demolishment on the 2.4 acre MNRC site, but not free release from the State of California as it is not known at this time if the University will retain the property or if the property would be transferred to the surrounding McClellan Business Park. Unlike other University research reactors, the MNRC was transferred from the Department of Defense (DoD) to the University. The cost of remediation of the MNRC site from DoD operations (e.g. jet fuel, hexavalent chromium, etc.) is not included in the cost estimate as this clean up would be the responsibility of the United States.

3.2. Funding Method

Pursuant to 10 CFR 50.75(e)(1)(iv), the University of California Davis intends to use a Statement of Intent (SOI) as the method to provide decommissioning funding assurance. Please reference Attachment 2: Statement of Intent (SOI) regarding Decommissioning Funding for the MNRC Reactor Facility at the University of California Davis, dated May 25th 2018.

3.3. Adjustment of Decommissioning Cost Estimate

The 2018 Decommissioning cost estimate for the UCD/MNRC Reactor Facility is $24.9 million as detailed in section 3.1.4 above. This estimate will be updated periodically as required using the methodology described in NUREG 1307[1] and detailed below:

From NUREG 1307 Section 3: Estimated Cost (Year X) = (2018 \$ Cost)*($AL_X + BE_X + CB_X$)

Where: 2018 Cost = $24.9 million

A = The labor fraction which is the percent or portion of the 2018 cost attributable to labor, materials, and services (0.65).

B = The energy fraction which is a percent or portion of the 2018 energy and radioactive waste transportation (0.13).

C = The burial fraction which is the percentage or fraction of 2018 cost attributable to radioactive waste burial/disposition (0.22).

L_X = The labor, materials, and services cost escalation from January 2018 to the latest month of Year X for which Producer Price Indexes (PPI) data are available.

E_X = The energy and waste transportation cost escalation from January 2018 to the latest month of Year X for which Consumer Price Indexes data are avaialble.

B_X = The low-level waste (LLW) burial cost escalation from January 2018 to the last month of Year X for which data is available. As the State of California is not affiliated with a waste compact B_X will be selected accordingly and assuming “PWR” values.

L_X, E_X, and B_X will be calculated in accordance with the guidance given in NUREG-1307 as needed in order to estimate decommissioning costs beyond 2018.

4. REFERENCES

1 Report on Waste Burial Charges; Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities, NUREG-1307, REV. 15, U.S. Nuclear Regulatory Commission, January 2013; https://www.nrc.gov/docs/ML1302/ML13023A030.pdf

2 Guideline for Preparing and Reviewing Applications for the Licensing of Non-Power Reactors– Format and Content, NUREG 1537 Part 1, U.S. Nuclear Regulatory Commission, February 1996; https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1537

3 Organization for Economic Cooperation and Development (OECD) 2017 and 2018 U.S. Inflation; https://data.oecd.org/price/inflation-forecast.htm

4 2016 Bureau of Labor Statistics Labor and Producer Price Index; http://www.bls.gov/data/

Attachment 1 University of California Annual Financial Report 2017

UC DAVIS

annual report 2017

From the Chancellor

In making my rounds as the new chancellor, I have heard many alumni and others describe UC Davis as kind of a sleeping giant — a powerful institution that has yet to show the full extent of its power.

This report shows that the giant is waking up.

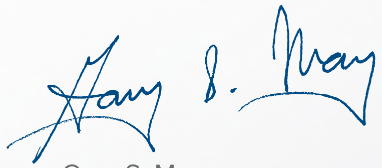
Whether it's our record fundraising, our men's and women's basketball teams making campus history, our unmatched achievements in agricultural, animal and veterinary sciences, or our overall ranking as one of the top public research universities in the nation, UC Davis is unmistakably on the rise.

Increasingly, our university makes headlines on the frontlines of today's humanitarian crises — in health care, public health, global hunger, water scarcity, immigration, climate change, poverty and environmental degradation.

Increasingly, UC Davis propels social mobility across California and the nation, graduating large numbers of students from underrepresented ethnic groups and from families with no previous college degrees.

People are stunned when they learn about UC Davis' growing accomplishments — our groundbreaking research in so many fields, our contributions to prosperity in the Sacramento region, our empowerment of students to do good in the world. They move from merely thinking well of UC Davis to wanting to actively contribute to our successes.

In these pages, you will see a giant rising to the challenge of making our world a better place.



Gary S. May
Chancellor

A New Chancellor, a New Era for UC Davis

"My goal is to make us one of the handful of universities that's on the tip of the tongue when you talk about the nation's great public research universities — and we are not far from that now."

—Gary S. May,
upon his investiture as
seventh chancellor of UC Davis,
October 27, 2017

Rankings

1st worldwide
in veterinary medicine and plant and animal sciences (QS World University Rankings; *U.S. News & World Report*)

3rd nationally
among top colleges doing the most for low-income students (*The New York Times* College Access Index)

1st worldwide
for campus sustainability practices (*GreenMetric World University Ranking*)

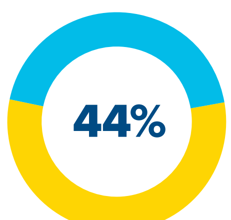
7th worldwide
in environment/ecology (*U.S. News & World Report*)

1st nationally
and second worldwide in agriculture (QS World University Rankings and *U.S. News & World Report*)

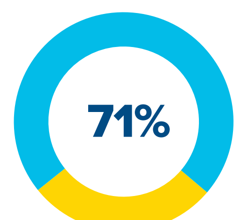
6th nationally
overall for public universities (*Wall Street Journal/Times Higher Education*)

UC Davis by the Numbers

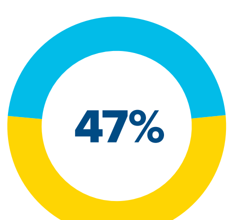
Financial Aid



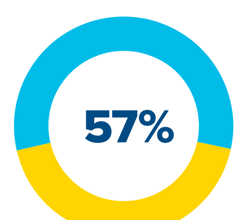
PELL GRANTS
44 percent of California resident undergraduates received Pell Grants in 2015–16. Each year UC Davis has more recipients than in the entire Ivy League.



FINANCIAL AID
In 2016–17, 71 percent of undergraduates received financial aid, averaging $21,389 per award.



LOW DEBT
47 percent of undergraduates completing degrees in 2015–16 accrued no debt while at UC Davis. Those who graduated with debt averaged $19,276 — much lower than the national average of $30,156.



COVERED TUITION AND FEES
57 percent of California resident undergraduates received enough gift aid to have systemwide tuition and fees completely covered in 2015–16.

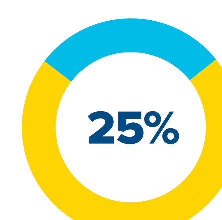
Campus Populations

Students (FALL 2017)

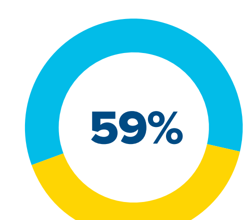
GRADE POINT AVERAGE
3.99 (Enrolled freshmen)

HEAD COUNT
30,212 Undergraduate
4,580 Graduate
1,226 Professional
1,362 Health science
991 Medical interns and residents
38,371 Total student population

DEMOGRAPHICS



Underrepresented minorities



Women

Staff (FALL 2016)

FULL TIME STAFF
9,058 Staff
8,214 Clinical staff

STUDENT EMPLOYEES
9,690

Faculty

4,736 Faculty and other academic positions

Alumni (FALL 2016)

250,000+ Living alumni with degrees

Degrees (Awarded 2016–17)

7,856 Bachelor's
1,950 Graduate and professional
9,806 Total degrees awarded

UC Davis admitted 41,299 applicants for fall 2017, with gains among low-income and first-generation students and underrepresented minorities.

We Move Forward, Together

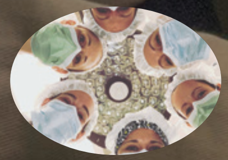
We are a community united in times of celebration and challenge. We break down barriers to advancement, advocate on behalf of the underserved and inspire the next generation. We strive for empathy, equity and inclusivity to achieve meaningful change.

We are a community in which all are valued and supported for the good of all.

44%
New undergraduates who are first-generation

600k
Community service hours completed by students, faculty and staff

31%
Undergraduates admitted who are underrepresented minorities



UC Davis strides toward gender parity in medicine, with women comprising 45 percent of surgical residents and fellows, and with recruitment of female trainees in male-dominated fields of neurological, orthopaedic and trauma surgery.

A pioneer in the use of telemedicine for underserved communities, UC Davis saves patients an average of 278 driving miles, $156 in travel costs and 4 hours of time per consultation.

Our Keller Pathway Fellowship gives women, cross-disciplinary researchers and other underrepresented university-based entrepreneurs a foundation for developing their business ideas.

Students at the UC Davis Immigration Law Clinic are ensuring the rights of immigrants — regardless of legal status — through education, preparation of deportation defense cases and representation.

The renovated Memorial Union, now home to the Veterans Services Office, includes a new display honoring the 135 Aggies who made the ultimate sacrifice.

Some 400 faculty are sharing stories of inspiration and persistence at the First-Generation Faculty project website, a resource for 44 percent of undergraduates who are first-generation students.

Alexander Forrest, assistant professor of civil and environmental engineering, led a deployment of underwater robots in Antarctica and the Arctic to help predict how and when polar ice shelves collapse.

294 Inventions

135 Copyright licenses

108 License agreements

14 Startups founded

170 Patent applications filed

Innovation for Good

At UC Davis, we innovate not only through research, but also by nurturing ambition and smart partnerships. We put tools and know-how in the hands of entrepreneurs so beneficial technologies can move out of the lab and into the world faster — with a lighter footprint, a lower cost and less reliance on resources like water and energy.

This "innovation acceleration" — from underwater robots that give us a new perspective on climate change to the development of a therapeutic enzyme — is addressing the challenges that hit us at home and around the world.

Zhou Yu, assistant professor of computer science, was named to *Forbes*' "30 Under 30: Science" list for her work developing algorithms that enable software to adapt to users, such as a social chatbot for Amazon's Echo platform.

Combining expertise in engineering and animal science, researchers are testing new cooling technologies for dairy cows that reduce energy and water use.

A stem cell therapy for chronic oral inflammatory disease in cats developed at the UC Davis Veterinary Institute for Regenerative Cures was licensed by VetCell Therapeutics with plans to commercialize treatment.

UC Davis scientists are the first to watch individual steps in the replication of a single DNA molecule — opening new ways of thinking about this life-determining process.

Justin Siegel, co-founder of UC Davis spin-off PvP Biologics and assistant professor of chemistry, biochemistry and molecular medicine, co-created a therapeutic enzyme using synthetic DNA for the treatment of celiac disease.

Electrical and computer engineers developed a novel, high-frequency electronic chip potentially capable of transmitting tens of gigabits of data per second, bringing us closer to next-generation technology.

PHOTO: **DAMIEN GUIHEN**/UNIVERSITY OF TASMANIA

The Jan Shrem and Maria Manetti Shrem Museum of Art serves as a hub of creativity for thinkers, makers and innovators, with spaces dedicated to both exhibits and student education.

55
Guggenheim Fellows

68,321
Visitors to the Manetti Shrem Museum of Art in its inaugural year

30
Faculty members of the American Academy of Arts and Sciences

A Champion of Curiosity

A vibrant and exciting community of thinkers, artists and writers, UC Davis champions curiosity-driven research, criticism and knowledge making. For example, the inaugural season of the Ground and Field Theatre Festival in the College of Letters and Science brought together directors, playwrights, scholars and theater artists for a month to produce plays and musicals that explore the urgent need for sustainability in our world.

Our Mellon Public Scholars Program each year pairs graduate students with community organizations to put their humanities training and research to work for the public good.

UC Davis historian Andrés Reséndez continues to earn accolades for his history of Native American enslavement, *The Other Slavery*, winning a 2017 California Book Award and 2017 Bancroft Prize.

Lucky Brand CEO Carlos Alberini and family endowed the Alberini Family Speaker Series in Design at UC Davis.

Seth Sanders, professor of religious studies, is leading a project to produce open-access translations of the Dead Sea Scrolls, a 2,000-year-old collection of Aramaic and Hebrew texts including the oldest biblical manuscripts.

Through the Teaching California partnership, UC Davis is helping transform K-12 history-social science education with development of free, online curricula and teaching resources.

PHOTO OF MISSION SAN BUENAVENTURA, **TRACEY STORER PAPERS, D-110**/SPECIAL COLLECTIONS, UC DAVIS LIBRARY

With an eye on medical school, top graduating senior and University Medal recipient Srujan Kopparapu earned degrees in psychology and biochemistry and molecular biology in three years while taking on research, internships and clinical experiences.

Education Wide Open

A UC Davis education is a promise of opportunity that benefits our students and society alike. Just ask 2017 graduate Srujan Kopparapu, a student in the University Honors Program who dove into experiential learning opportunities here: internships in a microbiology lab and at the UC Davis Medical Center's ER, a student biomedical engineering competition, and presentations at the Undergraduate Research, Scholarship and Creative Activities Conference, among others.

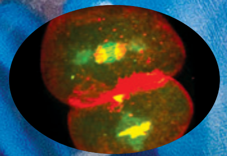
Now Kopparapu is taking the next steps toward a career in a neural-related field such as neurosurgery or neurology. At UC Davis, we're fulfilling our promise so future leaders like Kopparapu can fulfill their dreams.

715
Undergraduates who presented at the UC Davis Undergraduate Research, Scholarship and Creative Activities Conference

10K
Internships facilitated by the Internship and Career Center in a year

4K
Business leaders educated through the Graduate School of Management

40
Countries where students gain an international perspective through UC Davis Study Abroad programs each year


The College of Biological Sciences' acquisition of a rare lattice light-sheet microscope will drive discoveries that transform the way students learn science.


The Coastal and Marine Sciences Institute and the Bodega Marine Laboratory won a $3 million National Science Foundation award to train students from mostly tribal and rural coastal towns on integrating policy and science.


The new "Introduction to Beer and Brewing" online course gives students all over the world access to this unique class and preserves the legacy of Charlie Bamforth, Anheuser-Busch Endowed Professor of Brewing Science.


The public is collaborating with scientists to address environmental issues such as local water quality and decreasing butterfly populations through the School of Education's new Center for Community and Citizen Science.


Undergraduates can strengthen their writing skills at the Student Academic Success Center's new Writing Studio, which features a collaborative writing space and writing specialists.


The new Native American Academic Student Success Center and Center for Chicanx and Latinx Academic Student Success offer academic support in community environments to help students persist and graduate.

Advancing Agriculture

As the top university in the country and second in the world in agriculture, UC Davis continues to address global challenges of food security, sustainability and safety in remarkable ways. Whether it's finding answers that mutually benefit the environment and food producers in California, the invention of a low-cost tool that African farmers can use to fight food loss or making significant connections between nutrition and human health, we continue to apply our expertise and leadership to the most pressing challenges in food.

UC Davis is helping fight food loss in Africa with the low-cost DryCard invention, a moisture-sensing tool farmers can use to reduce mold and toxins in dried food storage.

A study co-produced by UC Davis shows that California Central Valley rice fields managed as floodplains during winter can create surrogate wetland habitat for native fish.

The USDA has awarded a $4.5 million grant to the UC Davis Public Strawberry Breeding Program and its partners to improve disease resistance and sustainable production.

"Good" fats are not created equal, says food chemist Ameer Taha, who is exploring connections between excess linoleic acid and ailments such as chronic inflammation and headaches.

Animal cognition expert Kristina Horback's research on pig personalities is helping the pork industry adapt to new market and legislative demands for group housing.

Health researchers at UC Davis have discovered how dietary fiber helps intestinal health, identifying a potential therapeutic target for rebalancing beneficial and harmful gut microbiota.

10,000+
Pounds of Student Farm produce donated to the ASUCD Pantry and Fruit and Veggie Up! program

148
Active patents in the College of Agricultural and Environmental Sciences

2.3K
Acres devoted to agricultural research and teaching

Juan Medrano and other UC Davis researchers released the first public genome sequence for *Coffea arabica*, which will help develop high-quality, disease-resistant coffee varieties adaptable to climate change.

Members of the UC Davis Hospital Child Life team make a splash with a patient during the Duck Dash, an event benefiting the UC Davis Children's Hospital. The hospital ranks among the nation's best in five pediatric specialties *(U.S. News & World Report).*

Bold Health Care

You need to be bold to transform health care. That's why UC Davis Health is making bold strides in research, technology, patient care, partnerships and education — and bringing together the most progressive, curious minds in medicine and nursing. Being bold is getting us closer to solving critical public health problems like diabetes. It's saving lives in utero. And it's improving chronic disease care with personalized health information accessible by smartphone. Being bold is how we're creating a healthier world.

33

Counties served by UC Davis Health

$3.4B

Annual economic output generated by UC Davis Health in the Sacramento region and Northern California

$3M

Patient travel costs saved by use of telemedicine at UC Davis Health over 18 years

A UC Davis-led team won a $1.2 million grant to explore the use of personalized mobile health data to improve chronic disease management and care.

UC Davis' Sacramento campus became the home of the new UC Firearm Violence Prevention Research Center, led by Garen Wintemute, emergency medicine professor and authority on the epidemiology of firearm violence.

UC Davis physicians gave life-saving kidney transplants to more than 400 people in 2016, making it the highest-volume program of its kind in the nation.

Fetal surgeon Shinjiro Hirose (center), shown with Fetal Care and Treatment Center colleagues Diana Farmer and David Schrimmer, completed UC Davis Children's Hospital's first open fetal surgery for spina bifida 10 weeks before birth, a procedure offered at only a dozen medical centers nationwide.

Researchers discovered a possible route for regenerating insulin-producing beta cells, brightening prospects for better treatment or cures for Type I diabetes.

Betty Irene Moore Hall, home to the Betty Irene Moore School of Nursing, opened on the UC Davis Sacramento campus, supporting interprofessional health sciences education with collaborative learning spaces and state-of-the-art simulation suites.

10

Centers and institutes at UC Davis dedicated to solving critical issues with a One Health approach

1K

Unique viruses in animals and humans detected by the UC Davis-led PREDICT pandemic-prevention project

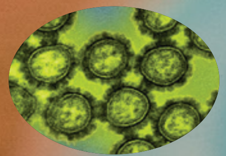
30

Countries with partnerships with UC Davis and USAID to prevent pandemics

Darla and Spanky, bulldog puppies with spina bifida, were the first to be successfully treated with stem cell therapy and surgery, thanks to a UC Davis veterinary and medical school team.

What Connects Us All

The answers to global health lie at the nexus of humans, animals and the environment. We have experts in all of these fields. Our doctors, veterinarians, engineers and scientists are working together in novel ways to untangle this web of interdependent life. Our connections between species — viruses to spina bifida — are leading to innovations that help conserve, protect and advance the health of all.



Viruses rely on host cells to reproduce, but they also show social behavior, interacting with other viruses by competing, cooperating and even cheating to succeed. A new behavioral approach to studying viruses could lead to new vaccines and treatment strategies for infectious diseases.

Researchers have detected a herpes virus in wild mountain gorillas similar to the Epstein-Barr virus in humans, findings that could aid gorilla conservation and knowledge of human disease.

School of Veterinary Medicine researchers found that disinfectants in some common household products like toothpaste and shampoo de-energize human cells and cause reproductive harm in lab animals.

A collaborative study by the One Health Institute gives us an edge in preventing pandemics, finding that bats are the major animal host for coronaviruses, which cause SARS and MERS.

The SeaDoc Society is working to preserve southern resident killer whales, salmon, rockfish and pinto abalone — all threatened by urban growth in the Pacific Northwest.

To Conserve and Protect

Climate change is the environmental challenge of our lifetime. A global leader in climate science, UC Davis is taking this challenge head on. We're connecting research and education to policy and action in air quality, energy conservation, water management and food sustainability. We're studying how climate change is affecting species on land and at sea, and finding ways to help humans and animals adapt to the changes to come. We're also digging up solutions in unexpected places, from hillsides to the soil right under our feet.

Climate change is a major factor in lake health, says the latest Tahoe State of the Lake Report. It found an increase in dying trees and algae growth and a decline in lake clarity.

UC Davis hosted a UN Sustainable Development Goals conference to explore how universities could work together to help African nations access clean energy and water and sustain food production.

Marine reserves may help commercial fishermen catch more of the profitable fish, while also helping to sustain the West Coast groundfish fishery, says a UC Davis-led study.

Researchers are developing a genetic test to help ranchers breed cattle that prefer hillside grazing. This change could improve the sustainability of California's 38 million acres of rangeland.

114
Department of Environmental Science and Policy experts who combine the natural and social sciences to find sustainable environmental solutions

8
LEED-certified Platinum buildings at UC Davis

22K
Trees and plants in the 18 gardens at the UC Davis Arboretum, a "living laboratory" for faculty and students

UC Davis alumna Alexis Robertson and her husband, Gillies, regularly rotate sheep grazing on their Capay Valley ranch to optimize grass growth, which captures the greenhouse gas carbon dioxide and stores it in the soil.

Sporting Scholars

When the Aggie men joined the NCAA's Big Dance for the first time in school history, journalists and sports fans nationwide became enchanted not only with UC Davis' Cinderella story, but also with our players' backstories — their talents, their sacrifices, their brains and their hearts. These are points of commonality shared by student-athletes across all 23 of our NCAA teams. Their aptitude for excellence and perseverance extends beyond the court, field or pool to the classroom and the community — which is why we've been enchanted all along.

1.7M
Viewers of the UC Davis vs. University of Kansas NCAA tournament game on TNT

4
Teams earning 2017 NCAA Public Recognition Awards for their outstanding academic achievements

100K
Community service hours completed by UC Davis student-athletes in 2016–17

14
Women's varsity sports supported by the Marya Welch fundraising initiative launched in August

Aggie softball, women's tennis, men's golf and men's tennis posted perfect 1,000 scores for multiyear Academic Progress Rate. Additionally, eight teams compiled the highest APRs in their respective conferences: football, men's golf, men's soccer, men's tennis, softball, women's basketball, women's tennis and women's water polo.

The women's basketball team advanced to the third round of the National Invitation Tournament with victories over Utah and Colorado State, after clinching the Big West Conference title. It was the best Div. I national postseason in Aggie history.

Former running back and assistant coach Dan Hawkins returned to his alma mater to become the program's 17th head football coach. Previously a studio analyst for ESPN's college football coverage, Hawkins is perhaps best known for transforming Boise State into a Division I Football Bowl Subdivision powerhouse in the early 2000s.

Men's water polo captured its first Western Water Polo Association championship since 1997, earning a spot in the National Collegiate Championship in Berkeley. The success of the program also helped result in the first endowed coaching position, with head coach Daniel Leyson's position being renamed the Child And Meisel Families Director of Men's Water Polo.

After defeating UC Irvine in the Big West Conference tournament, the Aggies earned their first berth in the NCAA Div. I Men's Basketball Tournament. They claimed a 67-63 victory over North Carolina Central in the First Four round, advancing to the round of 64.

36,000

Donors

$250M

Raised

Another Record-Breaking Fundraising Year

Thanks to the commitment of our supporters, UC Davis once again had a record-breaking philanthropic year. The university raised $250 million, the largest donation total raised in a single fiscal year in the university's 109-year history, bringing significant support for student scholarships, capital projects, scientific research and more. This success builds upon the momentum of the previous fiscal year's $226 million record-breaking total.

There were nearly 36,000 donors to the university, up almost 2,300 donors from 2015–16. This increase is due, in part, to the university's first Give Day, themed "Every Aggie Counts: Together We Add Up," a 29-hour event that helped UC Davis achieve record performance for annual giving this fiscal year.

Ken Grossman of Sierra Nevada Brewing Co. and his wife, Katie Gonser, presented a $2 million gift to support the university's renowned brewing science program.

A $2.6 million gift from the estate of Robert H. Putnam will establish the Robert H. Putnam Endowed Chair in Bipolar Disorders Research and the Dwight Swaback M.D. Bipolar Disorders Research Fund.

The Betty Irene Moore School of Nursing at UC Davis launched a new Family Caregiving Institute with a $5 million grant from the Gordon and Betty Moore Foundation.

Mohini Jain, philanthropist, retired teacher and longtime Davis resident, made a $1.5 million gift to advance the study of Jainism, one of the world's most revered and ancient philosophies.

Faculty join in a quartet for the Sept. 22, 2016 dedication of the Ann E. Pitzer Center. Guest pianist Alice Takemoto is the sister of Grace Noda. Grace and her husband, Grant, were the first major donors to the center. The lobby is named in their honor.

UC DAVIS FOUNDATION MEMBERSHIP 2017–18

THE UC DAVIS FOUNDATION is governed by the volunteer Board of Executive Trustees, who are distinguished leaders in their fields. The board marshals philanthropic support and stewards private gifts to the university, furthering UC Davis' mission and global impact. The board works with academic leaders and advancement staff to achieve the foundation's goals.

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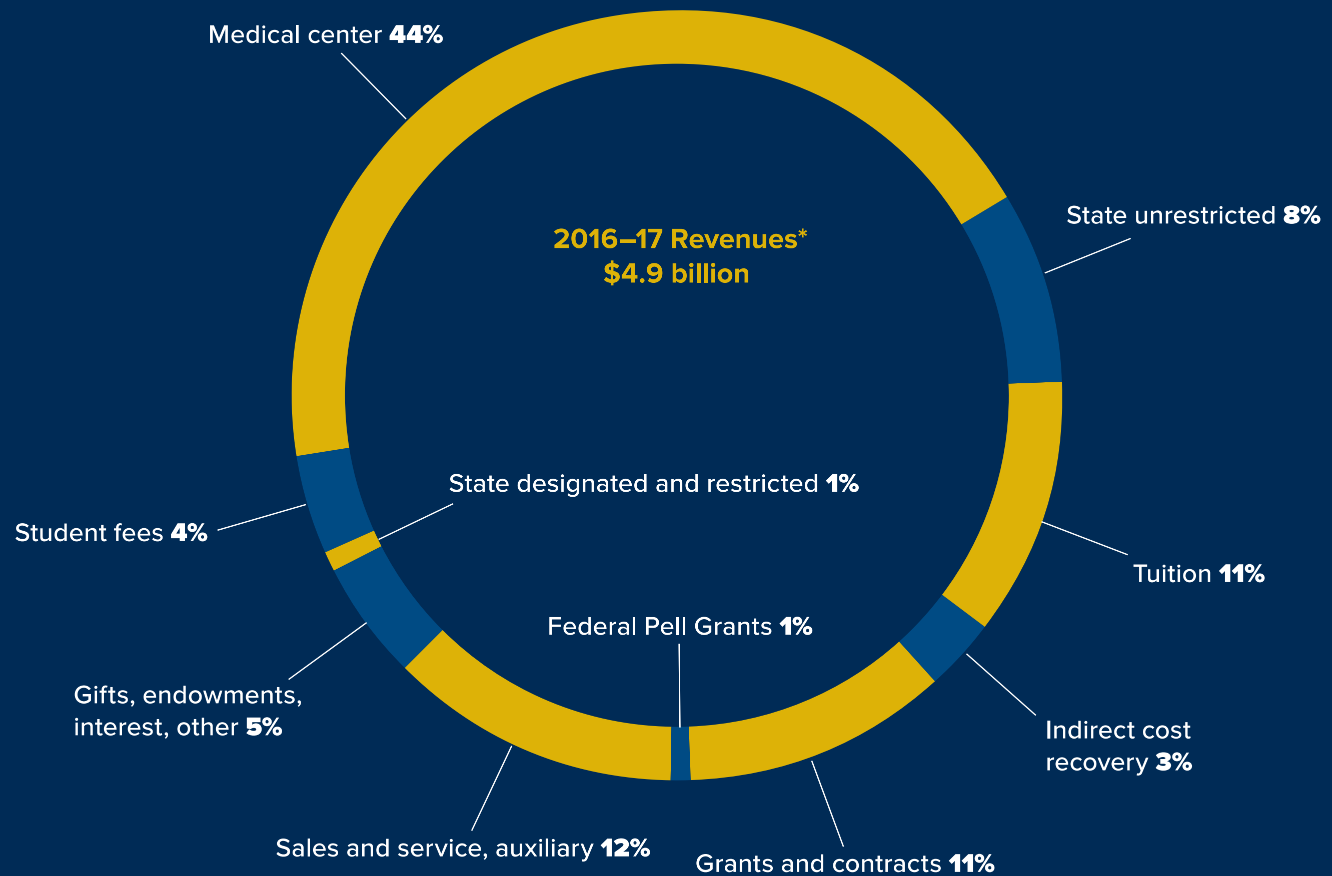
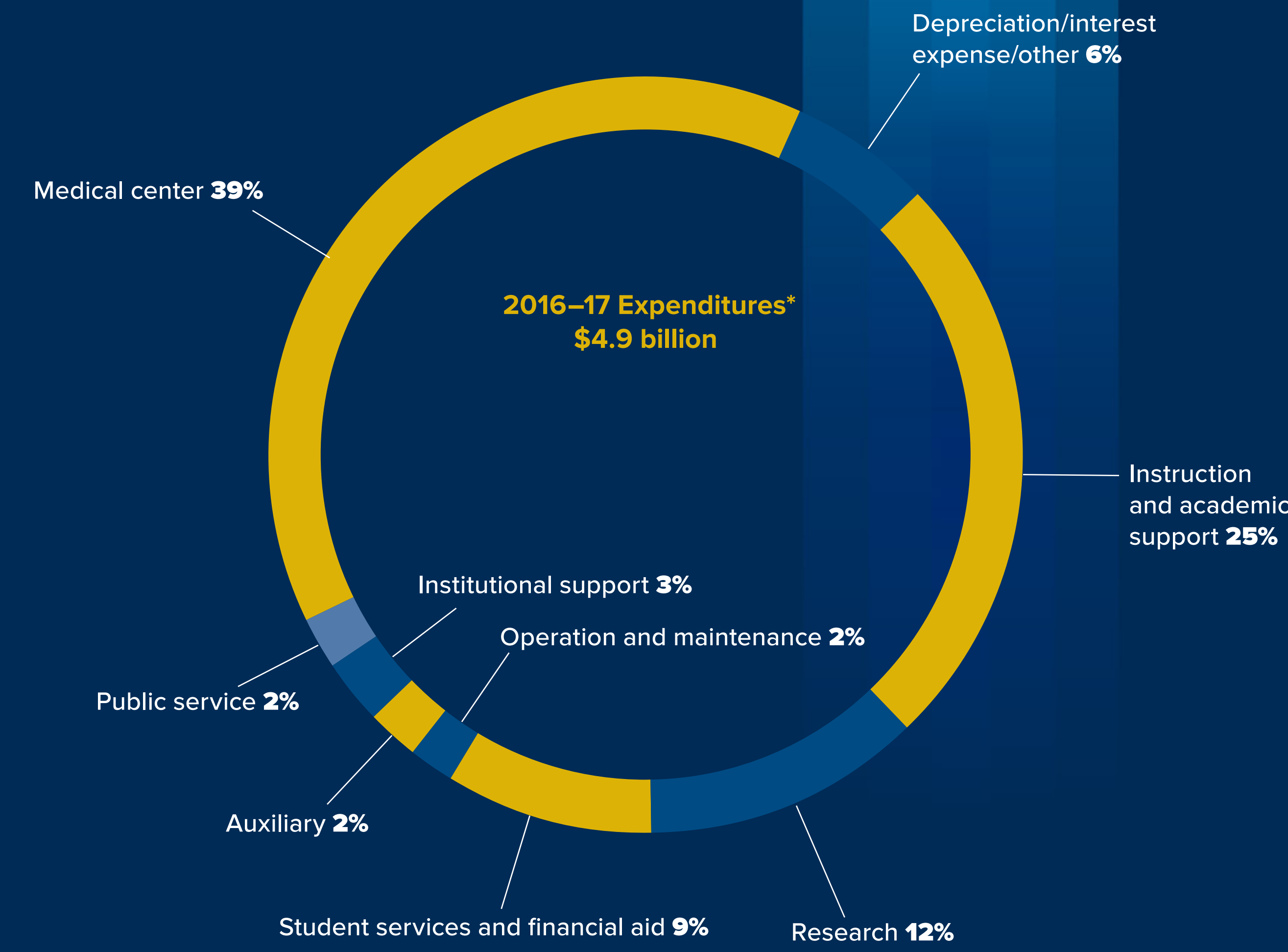
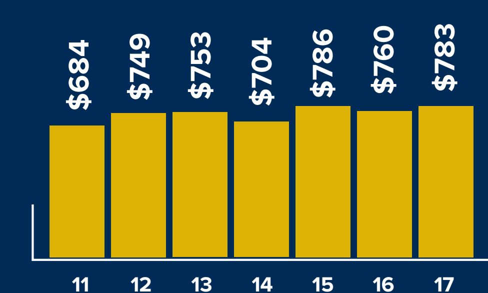
Financials at a Glance

2016–17 Revenues and Expenditures

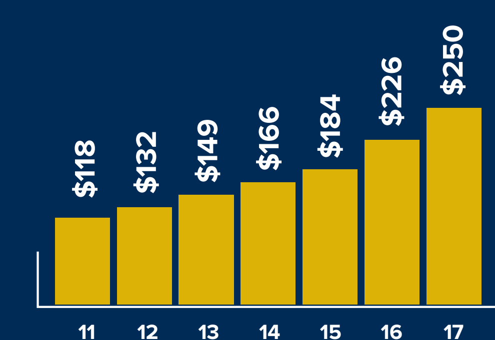
UC Davis revenues come from many sources. About 81 percent are designated for or restricted to specific purposes, such as research support, auxiliary services such as housing, and the UC Davis Medical Center. Most of the funding for teaching comes from unrestricted state funds and student tuition.







Extramural Research Funding
FY 2011–17 (millions)



Philanthropy
FY 2011–17 (millions)

* *Scholarship allowance is reported as an expenditure in student services and financial aid. For financial reporting purposes, scholarship allowance is reported as a reduction to student tuition and fee revenue.*

2017 Financial Report

Management's Discussion and Analysis

The objective of Management's Discussion and Analysis ("MD&A") is to give readers an overview of the financial position and operating activities of the University of California, Davis ("UC Davis" or "the Campus") for the year ended June 30, 2017, with selected comparative information for the year ended June 30, 2016. This discussion should be read in conjunction with the financial statements and the notes to the financial statements.

UC Davis' financial report, while not separately audited, is prepared from the official University of California records and accounts which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board ("GASB"). The three primary statements – the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows – encompass the UC Davis Campus and its discretely presented component, the UC Davis Foundation ("the Foundation"). However, the MD&A and the notes to the financial statements focus on the Campus, which includes the Medical Center. Information related to the UC Davis Foundation can be found in its separately issued financial statements. Information related to activities and balances centrally managed by the Office of the President can be found in the separately issued financial statements for the University of California.

University of California, Davis

UC Davis is one of ten campuses of the University of California ("the University"), which, as one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, healthcare and public service. In addition to the ten campuses, the University encompasses five medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy.

In 1905, the California Legislature approved the establishment of a state agriculture school. Three years later, in 1908, the University Farm School opened in Davis as a branch of UC Berkeley. In 1959 the UC Regents designated UC Davis as an independent general campus of the University. Currently, UC Davis offers a full range of undergraduate and graduate programs, along with six professional schools. The Davis campus has undergraduate colleges of Agricultural and Environmental Sciences, Biological Sciences, Engineering, and Letters and Science. Graduate Studies administers graduate study and research in all schools and colleges. Professional studies are offered in the schools of Education, Law, Management, Medicine, Nursing and Veterinary Medicine.

Located off campus are numerous laboratories, extension centers and facilities, including the UC Davis Medical Center in Sacramento, the Tahoe Environmental Research Center in Lake Tahoe, the Veterinary Medicine Teaching and Research Center in Tulare, and Bodega Marine Laboratory at Bodega Bay.

UC Davis Net Financial Position

The University implemented new accounting policies for retiree health benefits. These changes in accounting policies are designed to improve transparency by requiring recognition of the net retiree health benefits liability in the financial statements. This standard requires recognition of retiree health benefit expense using a systematic method, designed to match the cost of retiree health benefits with service periods for eligible employees. Financial information for 2016 has been restated to retroactively apply these new accounting policies.

The statement of net position presents the financial position of UC Davis at the end of the year. It displays all of the Campus' assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position, representing a measure of the current fiscal condition of the Campus.

Certain reclassifications have been made to the prior year balances to conform to classifications used in the current year financial statement presentation.

The major components of the statement of net position, compared to the prior year are as follows:

(in millions of dollars)

	2017	RESTATED 2016	CHANGE
ASSETS			
Cash and investments	$2,500	$2,225	$275
Accounts receivable, net	517	496	21
Capital assets, net	3,298	3,225	73
Other assets	210	207	3
TOTAL ASSETS	**6,525**	**6,153**	**372**
DEFERRED OUTFLOWS OF RESOURCES	**841**	**1,481**	**(640)**
LIABILITIES			
Debt, including commercial paper	1,767	1,642	125
Pension related obligations	2,147	2,632	(485)
Net retiree benefits liability	2,888	3,280	(392)
Other liabilities	889	949	(60)
TOTAL LIABILITIES	**7,691**	**8,503**	**(812)**
DEFERRED INFLOWS OF RESOURCES	**979**	**561**	**418**
NET POSITION			
Net investment in capital assets	1,663	1,641	22
Restricted: nonexpendable	121	119	2
Restricted: expendable	730	670	60
Unrestricted	(3,818)	(3,860)	42
TOTAL NET POSITION	**($1,304)**	**($1,430)**	**$126**

UC Davis Assets and Deferred Outflows of Resources

UC Davis' total assets grew by $372 million in 2017 to over $6.5 billion. The increase in 2017 was primarily related to an increase in cash and investment balances and continued reinvestment in facilities.

Campus cash and investments, which are held at the University's Office of the President, are principally carried in three investment pools; the Short Term Investment Pool ("STIP"), the Total Return Investment Pool ("TRIP") and the General Endowment Pool ("GEP"). Cash for operations and bond proceeds for construction expenditures are invested in STIP. UC Davis uses STIP to meet operational liquidity needs. TRIP allows the Campus to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. As a result of continued low STIP interest rates, the Campus continues to use TRIP to enhance investment returns, while still maintaining sufficient funds in STIP to meet operational liquidity needs. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California ("the Regents") utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The rates of return on the University investment pools for the years ended June 30, 2017 and 2016 are as follows:

(shown as a percentage)

	2017	RESTATED 2016
GEP	15.1%	(3.5)%
STIP	1.3	1.3
TRIP	7.7	0.3

Accounts receivable include amounts due from state and federal government agencies, local and private grants and contracts, receivables associated with patient care at the medical center and from others. Receivables are reported net of bad debt allowances. Accounts receivable increased by $21 million from $496 million in 2016 to $517 million in 2017. Receivables fluctuate based on the timing of collections. State and federal grants and contracts receivables increased by $1 million, medical center receivables increased by $5 million, while other receivables, including educational activities and local and private grants and contracts, increased by $15 million.

Capital assets includes land, infrastructure, buildings and improvements, software, intangible assets, equipment, library collections and construction in progress. As has been the case in recent years, the required spending for capital assets continues to increase. The net increase in the cost of capital assets was $256 million in 2017, consisting of capital expenditures of $313 million offset by $57 million of capital assets disposed of during the year in the normal course of doing business. Capital expenditures in 2016 were $296 million and disposals were $71 million. During 2017, capitalized costs for completed construction projects were $284 million. The largest capitalized projects were the Health Sciences Education Building for $48 million, Tercero Student Housing Phase 4 for $54 million, the School of Veterinary Medicine's Student Services and Administrative building for $26 million, the Jan Shrem and Maria Manetti Shrem Museum of Art for $29 million, and the Memorial Union Renewal Project for $23 million. Projects under construction, net of the cost of those projects completed and reclassified during 2017 to buildings and improvements or equipment, totaled $178 million.

Accumulated depreciation and amortization increased from $3.1 billion in 2016 to $3.2 billion in 2017. Depreciation and amortization expense for the year was $231 million and the accumulated depreciation on assets sold or disposed of during the year was $47 million. Generally, all of the disposals were for assets that were fully depreciated or had reached the end of their useful life.

Other assets include deferred charges, pledges receivable, notes and mortgages receivable, investments in joint ventures and inventories and totaled $210 million and $207 million for 2017 and 2016, respectively.

Losses on debt refundings and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2017, deferred outflows of resources decreased due to higher than expected investment returns in the University of California Retirement Plan ("UCRP") portfolio.

UC Davis Liabilities and Deferred Inflows of Resources

In 2017, UC Davis' total liabilities and deferred inflows of resources decreased by $394 million to $8.7 billion as compared to $9.1 billion in 2016. The decrease in 2017 was primarily related to the decrease in liabilities for pension and retiree health benefits.

Capital expenditures are financed from a variety of sources including equity contributions, federal and state support, revenue bonds and leases. UC Davis' debt increased by $125 million in 2017 to $1.8 billion, with a $29 million increase in commercial paper and an increase in bonds of $96 million.

In 2017, General Revenue Bonds totaling $36 million, including a bond premium of $5 million were issued to finance certain construction projects of the Campus.

In August 2016, Medical Center Pooled Revenue Bonds totaling $342 million were issued to finance and refinance certain facilities and projects of the Medical Center. Proceeds, including a net bond premium of $48 million, were used to pay for project construction, issuance costs and refinance the previously outstanding Medical Center Pooled Revenue Bonds totaling $265 million.

In 2016, General Revenue Bonds totaling $73 million and Limited Project Revenue Bonds totaling $7 million were issued to finance and refinance certain facilities and projects of the Campus. Proceeds, including a bond premium of $13 million were used to pay for project construction, issuance costs and refinance previously outstanding debt of $14 million.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks.

Commercial paper is used as interim financing for construction projects and equipment financing. Net commercial paper borrowings increased $29 million in 2017 from $44 million in 2016 to $73 million in 2017 primarily due to new funding of $73 million offset by transfers out of interim financing to permanent funding of $44 million.

The Campus has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. The Campus had pension related obligations of $2.1 billion and $2.6 billion in 2017 and 2016, respectively. The decrease in net pension liability for 2017 is primarily driven by higher than expected investment returns on the UCRP investment portfolio. The increase in net pension liability for 2016 was primarily driven by lower than expected investment returns on the UCRP investment portfolio. UCRP's total investment rate of return was positive 14.5 percent in 2017 and negative 2.0 percent in 2016. The discount rate used to estimate the net pension liability was 7.25 percent in both 2017 and 2016.

The Campus' 2016 financial statements have been restated as a result of adopting new accounting standards for retiree health benefits. The Campus' net retiree health benefits liability was $2.9 billion, and $3.3 billion, in 2017 and 2016, respectively. The University funds the retiree health benefits through the University of California Retiree Health Benefit Trust ("UCRHBT") based on a projection of benefits on a pay-as-you-go basis and the assets in the trust are not sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate is used to discount the retiree health benefit liabilities. The changes in net retiree health benefits liability have been primarily driven by the changes in discount rates used to estimate the retiree health benefit liability. The discount rates as of June 30, 2017 and 2016 were 3.58 percent and 2.85 percent, respectively.

Other liabilities, including accounts payable, accrued salaries and benefits, unearned revenue, pollution remediation and federal refundable loans decreased from $949 million in 2016 to $889 million in 2017. Other liabilities fluctuate based on the timing of payments.

Deferred inflows of resources are related to the Campus' service concession arrangements and certain changes in the net pension and net retiree health benefits liabilities. Deferred inflows of resources in 2017 increased by $418 million due to the increase in the discount rate for estimating the net retiree health benefit liability.

UC Davis Net Position

Net position represents the residual interest in UC Davis' assets and deferred outflows after all liabilities and deferred inflows are deducted. Net position was restated for 2016 as a result of adopting new accounting rules. UC Davis' net position at the end of 2017 was negative $1.3 billion, increasing by $126 million from 2016. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets increased by $22 million from $1,641 million in 2016 to $1,663 million in 2017 as a result of net capital asset additions and new debt issuances offset by principal debt repayments. The Campus continues to invest in its physical facilities to support the growth at UC Davis.

Restricted nonexpendable net position includes the corpus of UC Davis' permanent endowments and the estimated fair value of charitable remainder trusts. UC Davis endowments and other restricted nonexpendable net position increased by $2 million from $119 million in 2016 to $121 million in 2017 principally due to the receipt of new gifts.

Restricted expendable net position of $730 million, at June 30, 2017, is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to UC Davis' spending policy; support received from gifts, appropriations, grants or contracts for specific programs or capital projects; trustee held investments; or other third party receipts. The increases or decreases in restricted, expendable funds are principally due to unrealized appreciation or depreciation, respectively in the fair value of investments related to restricted gifts and funds functioning as endowments.

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing its use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of UC Davis' reserves are designated for academic and research initiatives or programs, or for capital purposes. As of June 30, 2017, the Campus' unrestricted net position is a deficit, primarily due to obligations for pension and retiree health benefits exceeding the Campus' assets available to pay such obligations. The decrease in the deficit from 2016 to 2017 is primarily due to decreases in the Campus' pension related obligations and net retiree health benefit liability.

UC Davis Results of Operations

The statement of revenues, expenses and changes in net position is a presentation of the Campus' operating results, and indicates whether the financial condition has improved or deteriorated. In accordance with the Governmental Accounting Standards Board ("GASB") requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UC Davis are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. Results of operations for 2016 have been restated as a result of adopting new accounting policies for retiree health benefits. Summarized on the next page are the operating results for 2017 and 2016, blending the GASB reporting requirements and UC Davis' view of core operations:

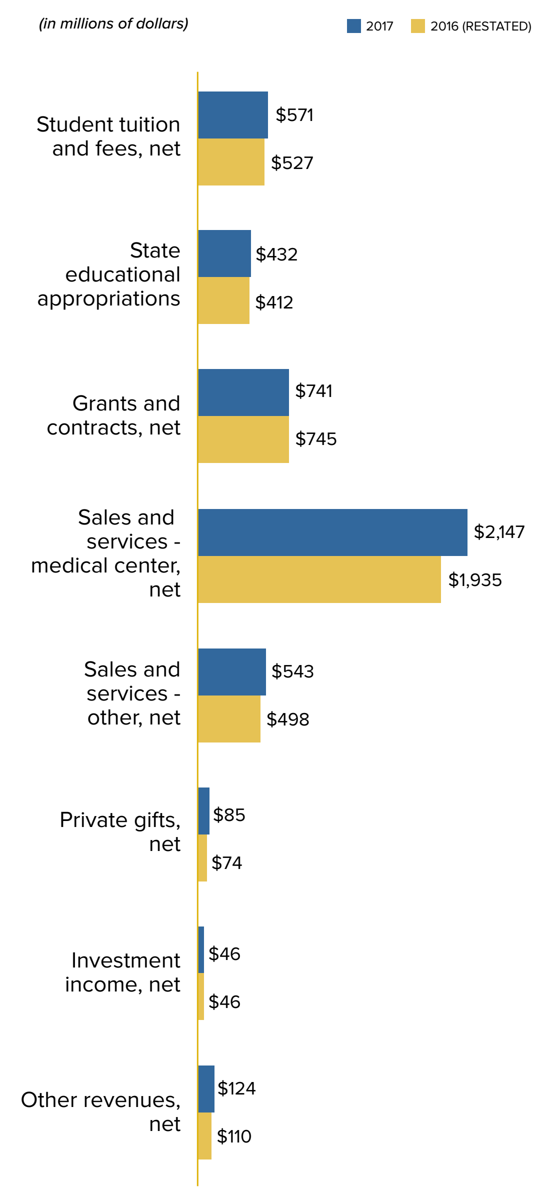
OPERATING RESULTS FOR 2017 AND 2016

(in millions of dollars)

	YEAR ENDED JUNE 30, 2017			RESTATED YEAR ENDED JUNE 30, 2016			
	OPERATING	NON OPERATING	TOTAL	OPERATING	NON OPERATING	TOTAL	CHANGE
REVENUES							
Student tuition and fees, net	$571		$571	$527		$527	$44
State educational appropriations		$432	432		$412	412	20
Grants and contracts, net	689	52	741	693	52	745	(4)
Sales and services:							
Medical center, net	2,147		2,147	1,935		1,935	212
Other, net	543		543	498		498	45
Private gifts		85	85		74	74	11
Investment income, net		46	46		46	46	0
Other revenues, net	103	21	124	96	14	110	14
REVENUES SUPPORTING CORE ACTIVITIES	**$4,053**	**$636**	**$4,689**	**$3,749**	**$598**	**$4,347**	**$342**
EXPENSES							
Salaries and wages	$2,194		$2,194	$2,046		$2,046	$148
Pension benefits	302		302	421		421	(119)
Retiree health benefits	240		240	289		289	(49)
Other employee benefits	472		472	451		451	21
Scholarships and fellowships	88		88	89		89	(1)
Utilities	38		38	35		35	3
Supplies and materials	474		474	458		458	16
Depreciation and amortization	231		231	221		221	10
Interest expense		$55	55		$65	65	(10)
Other expenses	638	8	646	628	8	636	10
EXPENSES ASSOCIATED WITH CORE ACTIVITIES	**$4,677**	**$63**	**$4,740**	**$4,638**	**$73**	**$4,711**	**$29**
INCOME (LOSS) FROM CORE ACTIVITIES	**($624)**	**$573**	**($51)**	**($889)**	**$525**	**($364)**	**$313**
OTHER NONOPERATING ACTIVITIES							
Net appreciation (depreciation) in fair value of investments			$123			($54)	$177
INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION			**$72**			**($418)**	**$490**
OTHER CHANGES IN NET POSITION							
Capital gifts and grants			$10			$10	$0
Permanent endowments			2			2	0
Other changes in net position			42			17	25
INCREASE (DECREASE) IN NET POSITION			**$126**			**($389)**	**$515**
NET POSITION							
Beginning of year, as previously stated			$(1,430)			$1,597	$(3,027)
Cumulative effect of accounting changes						(2,638)	2,638
BEGINNING OF YEAR, AS RESTATED			**($1,430)**			**($1,041)**	**($389)**
NET POSITION END OF YEAR			**($1,304)**			**($1,430)**	**$126**

Revenues Supporting Core Activities

The following chart provides a breakdown of revenues supporting core activities for the fiscal years ended June 30, 2017 and 2016:



Revenues to support UC Davis' core activities of more than $4.7 billion, including those classified as nonoperating revenues, increased by $342 million from 2016 to 2017. UC Davis has very diversified sources of revenue. State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the Campus. Grants and contracts provide opportunities for undergraduate and graduate students to participate in dynamic research projects alongside some of the most prominent researchers in the country. Gifts to UC Davis allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives as well as support scholarships and capital projects. Sales and services revenue includes the medical center, educational activities from academic departments, primarily the veterinary and medical schools, and auxiliary enterprises such as student housing, the bookstore, food service operations and parking.

Net student tuition and fees revenue grew from $527 million in 2016 to $571 million in 2017, an increase of $44 million. These fees are net of scholarship allowances of $147 million in 2017 and $139 million in 2016. The increase in tuition and fee revenue over the past several years is primarily due to enrollment growth coupled with modest tuition and fee increases for certain student groups. Consistent with past practices, a portion of the revenue generated from certain student tuition and fee increases is used for financial aid to mitigate the impact of tuition and fee increases on students with financial need.

In 2017, total enrollment, consisting of undergraduate, graduate and professional students, grew by nearly 3.6 percent. Mandatory tuition rates for California residents was not changed in 2017 and 2016. Nonresident supplemental tuition was increased by 8 percent for undergraduate national and international students. Professional degree supplemental tuition varies by discipline and certain tuition rate increases were approved for 2017.

State of California educational appropriations to UC Davis were $432 million in 2017 and $412 million in 2016. The University budget framework agreed to in 2015 with the governor called for base budget adjustments of 4 percent annually over the next four years, through 2019. The framework also called for no tuition increases in 2017 and 2016, with tuition increases generally pegged to the rate of inflation beginning in 2018. The student service fee increased 5 percent in 2017 and 2016, with the customary one-third of the increase being directed to financial aid. The framework also acknowledged the University's plan to increase undergraduate nonresident supplemental tuition by up to 8 percent for 2017 and 2016 and 5 percent thereafter. The framework recognized the increases in professional degree supplemental tuition approved by the Regents in November 2014 for existing and new programs and called for no increases in law school tuition through 2019.

Revenue from federal, state, private and local grants and contracts decreased by $4 million to $741 million in 2017 from $745 million in 2016. Federal grant and contract revenue, including facilities and administration cost recovery of $93 million and direct expenditures of $356 million, increased by $6 million to $449 million. Expiring federal grants and federal budget cuts have slowed the University's growth in federal grants and contracts. This revenue represents support from a variety of agencies including the Department of Health and Human Services, $214 million; the Department of Education, $63 million; the National Science Foundation, $46 million; and the Department of Agriculture, $30 million. State grants (including special research appropriations) decreased $15 million, or 10 percent, to $132 million in 2017. The decrease in revenue is primarily attributed to the completion of the South Valley Animal Health Laboratory award in Tulare which was awarded over a 3 year period to support a capital project, with the peak revenues being recognized in 2016. Private and local contracts and grants increased by $5 million primarily due to new awards received from the City of Davis.

Revenue from the UC Davis Medical Center, educational activities and auxiliary enterprises of $2.7 billion increased by $257 million, or 11 percent, from 2016. UC Davis Medical Center revenue increased by $212 million over the prior year to over $2.1 billion in 2017. The revenue growth is primarily due to increased third-party settlements and higher volumes and complexity of patient cases. Revenue from educational activities, primarily medical professional fees and auxiliary enterprises, net of related allowances, increased by $45 million or 9 percent reflecting an expanded patient base and improved collections.

Gifts may be made directly to UC Davis or through the UC Davis Foundation for the benefit of the Campus. UC Davis' private gifts for operating purposes increased from $74 million in 2016 to $85 million in 2017. The increase was primarily related to new gifts including: $3 million for the Robert and Margrit Mondavi Center, $2 million for the Veterinary Medical Teaching Hospital building fund, and $2 million for the Jan Shrem and Maria Manetti Shrem Museum.

Investment income for the year of $46 million consisted of $9 million from the University of California's Short Term Investment Pool ("STIP"), $17 million from the University of California's Total Return Investment Pool ("TRIP") and $20 million from endowments. Investment income in 2016 totaled $46 million consisting of $7 million from STIP, $21 million from TRIP and $18 million from endowments.

Other revenues for 2017 of $124 million included $2 million in federal interest subsidies and $19 million of other revenues that are reported as nonoperating revenue and $103 million of other revenue reported as operating revenue. Other operating revenues grew $7 million, or 7 percent, to $103 million in 2017. The growth is primarily due to higher intercampus revenue of $2 million and increased enrollment and rates in the student health insurance plans.

Expenses Associated with Core Activities

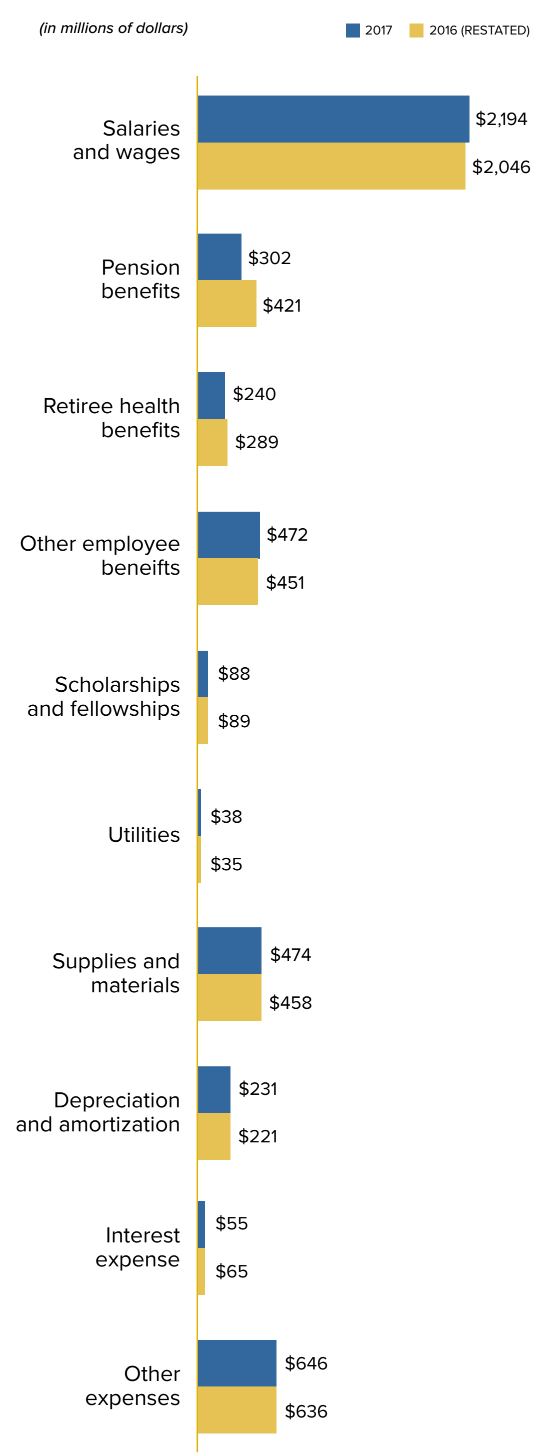
The chart to the right provides a breakdown of expenses associated with core activities for the fiscal years ended June 30, 2017 and 2016.

UC Davis' expenses associated with core activities for 2017, including those classified as nonoperating expenses, were $4.7 billion in 2017 and 2016. Approximately 68 percent UC Davis' expenses are related to salaries and benefits for over 24,000 full time equivalent employees of UC Davis.

Salaries and wages increased $148 million or 7 percent in 2017. The increase is primarily attributable to approved merit increases, contractual rate increases for represented and academic staff, as well as an increase in consolidated headcount of approximately 3 percent. Employee benefits, excluding pension and post-retirement health care benefits, increased by 5 percent in 2017 due to higher health insurance costs. Pension expense decreased by $119 million or 28 percent due to better than expected investment returns. Retiree health expense decreased by $49 million or 17 percent due to the higher discount rate in 2017.

The Campus places a high priority on student financial aid as part of its commitment to affordability and access. Scholarships and fellowships representing payments of financial aid made directly to students and reported as operating expenses were $88 million in 2017, a decrease of $1 million, or 1 percent, from 2016. Scholarship allowances, representing financial aid and fee waivers awarded by UC Davis, also forms of financial aid, increased from $175 million in 2016 to $188 million in 2017, an increase of $13 million. On a combined basis, total reported financial aid to students grew from $264 million in 2016 to $276 million in 2017, an increase of $12 million or 4 percent.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES



During 2017, supplies and materials costs increased $16 million, from $458 million in 2016 to $474 million in 2017. The largest increase occurred at the medical center due to higher patient volumes and inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support increased medical patient volumes. The Campus continues to find opportunities to manage the costs of supplies and materials.

Other operating expenses increased by $10 million, from $628 million in 2016 to $638 million in 2017. The increase is primarily due to increases in space and equipment rentals and repairs and maintenance. Other nonoperating expenses, which includes the loss on disposal of capital assets, were $8 million in 2017 and 2016.

In accordance with the GASB reporting standards, operating losses were $624 million in 2017 and $889 million in 2016. The operating losses were partially offset by $573 million and $525 million of net nonoperating revenues in 2017 and 2016, respectively. Although these amounts are classified as nonoperating for financial reporting purposes they are considered as support for the core operating activities of UC Davis. Expenses associated with core activities in 2017 and 2016 exceeded revenue available to support core activities by $51 million and $364 million, respectively.

Other Nonoperating Activities

UC Davis' other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2017, UC Davis recognized net appreciation in the fair value of investments of $123 million compared to net depreciation of $54 million in 2016. The Campus' investment portfolio experienced positive returns in the equity markets in 2017 as compared to the negative net returns experienced in 2016.

Other Changes in Net Position

Other changes in net position are generally not available to support the Campus' operations in the current year. Capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

UC Davis Cash Flows

The statement of cash flows presents detailed information about the cash activity of the institution during the year. The statement is divided into four parts. The first part represents operating cash flows and shows the net cash used in operating activities. The second section reflects cash flows from noncapital financing activities and includes cash received for state educational appropriations, gifts received for noncapital purposes, intercampus transfers and for activities other than those for operating, investing and capital financing purposes. The third section reflects the cash flows from capital and related financing activities and includes cash used for the acquisition and construction of capital and related items. The fourth section summarizes cash flows from investing activities and illustrates the purchases, proceeds and interest received from investing activities.

A summary comparison of cash flows for 2017 and 2016 is as follows:

UC Davis' cash increased by $104 million from $630 million in 2016 to $734 million in 2017. Substantially all of UC Davis' cash is invested in STIP managed by the Chief Investment Officer of the Regents and considered demand deposits. The increase in cash is primarily due to the increase in the Medical Center's cash balance of $163 million.

In 2017, cash of $301 million was used for operating activities, offset by $631 million in cash provided by noncapital financing activities. Cash used in capital and related financing activities totaled $225 million in 2017, primarily the result of capital assets acquired during the year and principal and interest paid on debt and capital leases. Net cash used in investing activities totaled $1 million in 2017. The cash expended for investing activities included net investment income of $46 million offset by net purchases of investments exceeding proceeds by $47 million.

(in millions of dollars)

	2017	RESTATED 2016	CHANGE
CASH PROVIDED BY (USED IN):			
Operating activities	($301)	($298)	($3)
Noncapital financing activities	631	573	58
Capital and related financing activities	(225)	(309)	84
Investing activities	(1)	(102)	101
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**104**	**(136)**	**240**
Cash and cash equivalents, beginning of the year	630	766	(136)
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$734**	**$630**	**$104**

Looking Forward

The University of California is part of a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal and private funding and promotes discovery of new knowledge that fuels economic growth.

The budget framework agreed to with the governor provides the University with base budget adjustments of up to 4 percent annually through 2019. The framework also called for modest tuition increases, generally pegged to the rate of inflation beginning in 2018, with approximately one-third of the increase directed to financial aid. The Student Services Fee is expected to continue to be increased by 5 percent annually with the customary one-third of the increase being directed to financial aid. Fifty percent of the remaining revenue generated from the increase will be used to enhance student mental health services and the remaining 50 percent will be distributed to support other student services programs. The framework also acknowledged the University's plan to increase nonresident supplemental tuition by up to 8 percent in 2016 and 2017 and up to 5 percent each year thereafter. The Regents are expected to approve varying annual increases to professional degree supplemental tuition for all professional programs except law, which will not be eligible for increases until 2019 under the terms of an agreement with the Governor. In addition to these funding elements, the budget framework includes a number of performance-related provisions. The state budget for 2018 also includes one-time funds of $169 million for UCRP.

The UC Davis campus remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. More than half of the Campus' federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the Campus' awards are the Department of Education, Department of Defense, Department of State and the Department of Agriculture.

In July 2017, the Regents approved increasing the University contribution rate for UCRP to 15 percent (from 14 percent) effective July 1, 2018. The University funds retiree health benefits on a pay-as-you-go basis.

Although the Medical Center demonstrated positive operating margins in 2017, financial and regional market competition, along with the added costs and responsibilities related to functioning as an academic institution continue to be challenges facing this organization. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the Medical Center also faces additional costs associated with new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid Program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the UC Davis Medical Center.

The Campus must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess long-term capital requirements. Support for the Campus' capital program is expected to be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

Additional UC Davis budget information can be found at http://budget.ucdavis.edu. Additional University of California budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the State of California Department of Finance website at: http://www.dof.ca.gov.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by UC Davis, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts which address activities, events or developments that UC Davis expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UC Davis does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

University of California, Davis

STATEMENTS OF NET POSITION

AT JUNE 30, 2017 AND 2016

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2017	RESTATED 2016	2017	2016
ASSETS				
Cash and cash equivalents	$733,951	$629,882	$14,761	$18,097
Short term investments	105,588	14,364		
Investments held by trustees	1,668	1,663		
Accounts receivable, net	517,399	495,618		
Pledges receivable, net	1,328	2,635	6,393	22,908
Notes and mortgages receivable, net	10,393	10,233		
Inventories	41,199	37,216		
Other current assets	64,103	62,033		
CURRENT ASSETS	**1,475,629**	**1,253,644**	**21,154**	**41,005**
Investments	1,655,219	1,576,096	412,092	338,123
Investments held by trustees	3,263	3,260		
Pledges receivable, net	1,439	1,244	26,631	9,343
Notes and mortgages receivable, net	73,254	74,294		
Capital assets, net	3,298,211	3,225,128		
Other noncurrent assets	18,194	18,837		
NONCURRENT ASSETS	**5,049,580**	**4,898,859**	**438,723**	**347,466**
TOTAL ASSETS	**6,525,209**	**6,152,503**	**459,877**	**388,471**
DEFERRED OUTFLOWS OF RESOURCES	**841,162**	**1,481,115**		
LIABILITIES				
Accounts payable	167,905	164,646		
Accrued salaries and benefits	117,893	185,287		
Unearned revenue	152,480	131,605		
Commercial paper	72,507	43,876		
Current portion of long-term debt	155,895	156,843		
Funds held for others			720	682
Other current liabilities	248,294	271,816		
CURRENT LIABILITIES	**914,974**	**954,073**	**720**	**682**
Federal refundable loans	59,902	58,086		
Obligations under life income agreements			5,323	5,205
Long-term debt	1,538,305	1,441,361		
Net pension liability	1,581,020	2,128,418		
Pension payable to the University	566,321	503,269		
Net retiree health benefits liability	2,887,576	3,280,085		
Other noncurrent liabilities	142,994	137,935	384	339
NONCURRENT LIABILITIES	**6,776,118**	**7,549,154**	**5,707**	**5,544**
TOTAL LIABILITIES	**7,691,092**	**8,503,227**	**6,427**	**6,226**
DEFERRED INFLOWS OF RESOURCES	**979,426**	**560,840**		
NET POSITION				
Net investment in capital assets	1,663,155	1,640,537		
Restricted:				
Nonexpendable:				
Endowments and gifts	121,212	118,923	245,988	218,394
Expendable:				
Endowments and gifts	549,702	483,328	205,347	161,639
Other, including loans, capital projects, endowment income, debt service and appropriations	180,216	186,590		
Unrestricted	(3,818,432)	(3,859,827)	2,115	2,212
TOTAL NET POSITION	**($1,304,147)**	**($1,430,449)**	**$453,450**	**$382,245**

See accompanying Notes to Financial Statements.

University of California, Davis
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2017	RESTATED 2016	2017	2016
OPERATING REVENUES				
Student tuition and fees, net	$571,058	$526,931		
Grants and contracts, net:				
Federal	396,905	391,549		
State	131,982	146,606		
Private	141,431	143,188		
Local	18,208	11,516		
Sales and services:				
Medical center, net	2,147,374	1,935,274		
Educational activities, net	444,969	402,167		
Auxiliary enterprises, net	97,569	96,290		
Campus foundation private gifts			$37,532	$31,400
Other operating revenues, net	103,361	96,277	800	76
TOTAL OPERATING REVENUES	**4,052,857**	**3,749,798**	**38,332**	**31,476**
OPERATING EXPENSES				
Salaries and wages	2,193,578	2,045,962		
Pension benefits	301,796	420,988		
Retiree health benefits	239,773	289,405		
Other employee benefits	472,202	450,761		
Scholarships and fellowships	88,371	89,308		
Utilities	37,731	35,334		
Supplies and materials	473,984	457,921		
Depreciation and amortization	230,530	220,563		
Campus foundation grants			40,063	33,590
Other operating expenses	639,029	628,415	249	270
TOTAL OPERATING EXPENSES	**4,676,994**	**4,638,657**	**40,312**	**33,860**
OPERATING LOSS	**(624,137)**	**(888,859)**	**(1,980)**	**(2,384)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	432,363	412,356		
Build America Bonds federal interest subsidies	1,749	1,749		
Federal Pell grants	52,098	51,621		
Private gifts, net	84,789	74,314		
Investment income, net	46,472	46,077	2,551	2,475
Net appreciation (depreciation) in fair value of investments	122,916	(54,051)	43,409	(14,673)
Interest expense	(55,388)	(65,159)		
Loss on disposal of capital assets	(8,194)	(8,089)		
Other nonoperating revenues (expenses)	19,168	12,747		
NET NONOPERATING REVENUES (EXPENSES)	**695,973**	**471,565**	**45,960**	**(12,198)**
INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION	**71,836**	**(417,294)**	**43,980**	**(14,582)**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants, net	9,894	9,519		
Permanent endowments	2,380	2,059	27,225	12,473
Other changes in net position	42,192	16,868		
OTHER CHANGES IN NET POSITION	**54,466**	**28,446**	**27,225**	**12,473**
INCREASE (DECREASE) IN NET POSITION	**126,302**	**(388,848)**	**71,205**	**(2,109)**
NET POSITION				
Beginning of year, as previously reported	(1,430,449)	1,596,562	382,245	384,354
Cumulative effect of accounting changes		(2,638,163)		
END OF YEAR	**($1,304,147)**	**($1,430,449)**	**$453,450**	**$382,245**

See accompanying Notes to Financial Statements.

University of California, Davis
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2017	RESTATED 2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$564,797	$526,562		
Grants and contracts	696,694	663,516		
Medical center	2,144,037	1,906,322		
Educational activities	441,591	408,917		
Auxiliary enterprises	98,302	96,298		
Collection of loans from students and employees	12,696	13,470		
Campus foundation private gifts			$32,872	$14,303
Payments to employees	(2,241,424)	(2,055,615)		
Payments to suppliers and utilities	(1,129,307)	(1,034,908)		
Payments for benefits	(847,043)	(761,976)		
Payments for scholarships and fellowships	(88,371)	(89,308)		
Loans issued to students and employees	(12,620)	(15,205)		
Payments to campus and beneficiaries			(40,063)	(33,590)
Other receipts	59,744	43,781	555	(194)
NET CASH USED IN OPERATING ACTIVITIES	**(300,904)**	**(298,146)**	**(6,636)**	**(19,481)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	430,808	410,784		
Federal Pell Grants	52,102	51,558		
State hospital fee grants	2,583	5,567		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	2,380	2,059	21,874	10,697
Other private gifts	85,901	75,678		
Other receipts (payments)	56,843	27,225		
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**630,617**	**572,871**	**21,874**	**10,697**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	72,712	76,190		
Payments of principal	(44,081)	(54,618)		
Interest paid	(160)	(137)		
State capital appropriations		(51)		
Build America Bonds federal interest subsidies	1,749	1,750		
Capital gifts and grants		32		
Proceeds from debt issuance	432,253	93,198		
Proceeds from the sale of capital assets	367	1,737		
Purchase of capital assets	(294,110)	(284,281)		
Refinancing or prepayment of outstanding debt	(251,587)	(13,765)		
Principal paid on debt and capital leases	(76,884)	(58,210)		
Interest paid on debt and capital leases	(65,055)	(70,468)		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(224,796)**	**(308,623)**	**–**	**–**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	414,165	136,797	27,218	17,570
Purchases of investments	(461,599)	(283,446)	(48,343)	(13,891)
Investment income, net of investment expenses	46,586	44,561	2,551	2,476
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(848)**	**(102,088)**	**(18,574)**	**6,155**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**104,069**	**(135,986)**	**(3,336)**	**(2,629)**
Cash and cash equivalents, beginning of year	629,882	765,868	18,097	20,726
CASH AND CASH EQUIVALENTS, END OF YEAR	**$733,951**	**$629,882**	**$14,761**	**$18,097**

See accompanying Notes to Financial Statements.

University of California, Davis
STATEMENTS OF CASH FLOWS *CONTINUED*
YEARS ENDED JUNE 30, 2017 AND 2016

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2017	RESTATED 2016	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	($624,137)	($888,859)	($1,980)	($2,384)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization expense	230,530	220,563		
Loss on impairment of capital assets	1,384	1,742		
Noncash gifts			(3,887)	(3,744)
Allowance for doubtful accounts	6,373	(16,702)	(190)	375
Changes in assets and liabilities:				
Receivables, net	(25,837)	(25,338)	(583)	(13,732)
Investments held by trustees	(5)	(2)		
Inventories	(3,983)	(3,358)		
Deferred charges	(2,889)	(8,261)		
Other assets	1,462	4,499		
Accounts payable	3,262	21,228	4	4
Accrued salaries and benefits	(67,394)	(22,331)		
Unearned revenue	20,875	(1,967)		
Net pension liability	(61,669)	81,195		
Net retiree health benefits liability	175,436	228,121		
Other liabilities	45,688	111,324		
NET CASH USED IN OPERATING ACTIVITIES	**($300,904)**	**($298,146)**	**($6,636)**	**($19,481)**
SUPPLEMENTAL NONCASH ACTVITIES				
Capital assets acquired through capital leases	$2,574			
Capital assets acquired with liability at year-end	22,352	$20,666		
Gifts of capital assets	10,391	9,487		
Other noncash gifts			$8,721	$4,571

See accompanying Notes to Financial Statements.

University of California, Davis
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

ORGANIZATION

The University of California ("the University") was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board ("the Regents") is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit.

The University of California, Davis ("UC Davis" or "the Campus") is one of the ten campuses, five medical centers and three national laboratories that constitute the University of California. Founded in 1908 as the University Farm, UC Davis has emerged as an acknowledged international leader in agriculture, veterinary medicine, biological, biotechnological and environmental sciences and is gaining similar recognition for excellence in the arts, humanities, social sciences, engineering, health sciences, education, law and management.

FINANCIAL REPORTING ENTITY

The UC Davis financial statements included in this annual financial report present the combined activities of the Davis campus, including the UC Davis Medical Center. The University of California system is subject to an annual audit of the consolidated financial statements which includes UC Davis. The financial statements for UC Davis have not been separately audited.

The financial data of the Associated Students of UC Davis ("ASUCD") for the years ending June 30, 2017 and 2016 has been included in the primary financial reporting entity because the Regents have certain fiduciary responsibilities for this organization. Organizations that are not significant or for which UC Davis is not financially accountable, such as the alumni organization, are not included in the reporting entity.

The UC Davis Foundation ("the Foundation") is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the Campus. The economic resources received or held by the Foundation are entirely for the benefit of the Campus. Because of the nature and significance of their relationship with UC Davis, including their ongoing financial support, the Foundation is reported under Governmental Accounting Standards Board ("GASB") requirements as a discretely presented component unit of UC Davis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the GASB.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the University as of July 1, 2016. This Statement revises existing standards for measuring and reporting retiree health benefits provided by the University to its employees. This Statement requires recognition of a liability equal to the net retiree health benefit liability, which is measured as the total retiree health benefits liability, less the amount of the UCRHBT's fiduciary net position. The total retiree health benefits liability is determined based upon discounting projected benefit payments based on claims costs, the benefit terms and legal agreements existing at the UCRHBT's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

The Statement requires that most changes in the net retiree health benefits liability be included in retiree health benefits expense in the period of change.

To implement Statement No. 75, UC Davis recorded its pro rata share of the University's net retiree health benefits liability and restated the 2016 financial statements for purposes of presenting comparative information as of and for the year ended June 30, 2017. The effects of reporting Statement No. 75 in the University's financial statements as of and for the year ended June 30, 2016 were as follows:

(in thousands of dollars)

	YEAR ENDING JUNE 30, 2016		
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 75	AS RESTATED
STATEMENT OF NET POSITION			
Deferred outflows of resources	$779,548	$701,567	$1,481,115
Net retiree health benefits liability	-	3,280,085	3,280,085
Total liabilities	5,223,142	3,280,085	8,503,227
Deferred inflows of resources	273,074	287,766	560,840
Unrestricted	(993,543)	(2,866,284)	(3,859,827)
Total net position	$1,435,835	($2,866,284)	($1,430,449)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Retiree health benefits	$48,331	$241,074	$289,405
Other employee benefits	464,480	(13,719)	450,761
Total operating expenses	4,404,289	234,368	4,638,657
Operating loss	(657,587)	(231,272)	(888,859)
Operating loss before other changes in net position	(189,173)	(228,121)	(417,294)
Change in net position	(160,727)	(228,121)	(388,848)
Cumulative effect of restatements	-	(2,638,163)	(2,638,163)
Net position, end of year	$1,435,835	($2,866,284)	($1,430,449)

In December 2015, the GASB issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, effective for the University's fiscal year beginning July 1, 2016. This Statement amends the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27, to exclude pensions provided to employees of state or local governmental employers through cost-sharing, multiple-employer defined benefit pension plans that are not state or local governmental pension plans. This Statement establishes requirements for recognition and measurement of pension expense, expenditures and liabilities; note disclosures; and required supplementary information. Implementation of Statement No. 78 had no impact on the financial statements.

The adoption of Statements No. 75 and 78 did not result in any adjustments to the financial statements of the campus foundations or UCRS.

The significant accounting policies of UC Davis are as follows:

CASH AND CASH EQUIVALENTS. All University operating entities maximize the returns on their cash balances by investing in a Short Term Investment Pool ("STIP") managed by the Chief Investment Officer of the Regents. The Regents are responsible for managing the University's STIP and establishing the investment policy, which is carried out by the Chief Investment Officer of the Regents.

Substantially all of UC Davis' cash is deposited into STIP, and all UC Davis deposits into STIP are considered demand deposits except for certain deposits held for construction. None of these amounts are insured by the Federal Deposit Insurance Corporation.

Interest income is reported as non-operating revenue in the statements of revenues, expenses and changes in net position.

Additional information on cash and cash equivalents can be obtained from the University's 2016-2017 Annual Financial Report.

INVESTMENTS. Investments are measured and recorded at fair value. The Campus' investments consist of investments in the UC Regents Total Return Investment Pool ("TRIP") and General Endowment Pool ("GEP"). The basis of determining the fair value of pooled funds or mutual funds is determined as the number of units held in the pool multiplied by the price per unit share, computed on the last day of the month. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded at estimated fair value at the date of donation.

Additional information on investments can be obtained from the University's 2016-2017 Annual Financial Report.

FUNDS HELD BY TRUSTEES. The UC Davis campus has been named the irrevocable beneficiary for charitable remainder trusts for which the Campus is not the trustee. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the Campus. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. The Campus is also an income beneficiary of certain trusts where the assets are invested and administered by outside trustees.

Consistent with UC Davis' recognition policy for pledges of endowments, receivables and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The Campus recognizes contribution revenue when all eligibility requirements have been met.

ACCOUNTS RECEIVABLE, NET. Accounts receivable, net of allowance for uncollectible amounts, includes reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments held by the University, and other receivables. Other receivables include local government and private grants and contracts, educational activities, and amounts due from students and employees.

PLEDGES RECEIVABLE, NET. Unconditional pledges of private gifts, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year pledged at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met. Receivables and contribution revenue associated with externally held investment trusts are not reflected in the accompanying financial statements. UC Davis recognizes contribution revenue when all eligibility requirements have been met.

NOTES AND MORTGAGES RECEIVABLE, NET. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statements of net position.

INVENTORIES. Inventories for the Campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the first-in-first-out ("FIFO") or weighted average method, which is not in excess of net realizable value. Inventories for the medical center consist primarily of pharmaceuticals and medical supplies and are stated on a FIFO basis at the lower of cost or market.

CAPITAL ASSETS, NET. Land, infrastructure, buildings and improvements, software, intangible assets, equipment, libraries and collections and special collections are recorded at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the lower of the fair market value of the asset or the present value of future minimum lease payments. Significant additions, replacements, major repairs, and renovations to infrastructure and buildings are capitalized if the cost is $35,000 or more and if they have a useful life of more than one year. Minor renovations that do not meet the criteria for capitalization are charged to operations. Equipment with a cost of $5,000 or more and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major capital projects are included in the cost of the capital assets. All land, library collections, and special collections costs are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	YEARS
Infrastructure	25
Buildings and improvements	15-33
Equipment	2-20
Computer software	3-7
Intangible assets	40 - Indefinite
Library books and collections	15 - Indefinite

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated.

Inexhaustible capital assets, such as land and special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections, are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

SERVICE CONCESSION ARRANGEMENTS. UC Davis has entered into service concession arrangements with third parties for student housing and certain other faculty and student services. Under these arrangements, the Campus enters into ground leases with third parties at minimal or no cost, and gives the third party the right to construct, operate and maintain a facility, primarily for the benefit of students and faculty at competitive rates. Rate increases for use of the facilities are subject to certain constraints and ownership of the facilities reverts to the Campus upon expiration of the ground lease. The facilities are reported as capital assets by the Campus when placed in service, and a corresponding deferred inflow of resources is reported. The Campus has not provided guarantees on financing obtained by the third parties under these arrangements.

INVESTMENT IN JOINT VENTURES. Certain medical centers, including the UC Davis Medical Center, have entered into joint-venture arrangements with various third-party entities that include home health services, cancer center operations and a health maintenance organization. Investments in these joint ventures are recorded using the equity method and are classified as noncurrent assets in the statements of net position. At June 30, 2017 the investment in joint ventures for the UC Davis Medical Center was $18.2 million.

UNEARNED REVENUE. Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

REFUNDABLE FEDERAL LOANS. Certain loans to students are administered by UC Davis with funding primarily supported by the federal government. UC Davis' statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

BOND PREMIUM. The premium received in the issuance of long-term debt is recorded as a component of long-term debt and is amortized as a reduction to interest expense over the term of the related long-term debt.

POLLUTION REMEDIATION OBLIGATIONS. Upon an obligating event, UC Davis estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the Campus is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2017 and 2016 reducing the pollution remediation liability.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively. UC Davis classifies gains on refunding of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Payments received or to be received by UC Davis from service concession arrangements are reported as deferred inflows of resources.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

NET POSITION. Net position is required to be classified for accounting and reporting purposes into the following categories:

NET INVESTMENT IN CAPITAL ASSETS. This category includes all of UC Davis' capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

RESTRICTED. UC Davis classifies the net position resulting from transactions with purpose restrictions as restricted net position until the resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

NONEXPENDABLE. The net position subject to externally imposed restrictions, which must be retained in perpetuity by UC Davis, is classified as nonexpendable net position. This includes UC Davis' permanent endowment funds.

EXPENDABLE. The net position whose use by UC Davis is subject to externally imposed restrictions that can be fulfilled by actions of UC Davis pursuant to those restrictions, or that expire by the passage of time, are classified as expendable net position.

UNRESTRICTED. The net position that is not subject to externally imposed restrictions governing their use is classified as unrestricted net position. UC Davis' unrestricted net position may be designated for specific purposes by management or the Regents. Substantially, all of UC Davis' unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, UC Davis' budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

REVENUES AND EXPENSES. Operating revenues of UC Davis include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from the medical center, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UC Davis are presented in the statements of revenues, expenses and changes in net position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UC Davis are mandated by the GASB standards to be reported as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of UC Davis.

Nonoperating revenues and expenses include state financing appropriations, state hospital fee program grants, Build America Bonds federal interest subsidies, Federal Pell grants, private gifts for other than capital purposes, investment income, net appreciation or depreciation in the fair value of investments, interest expense, and loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants and gifts for endowment purposes are classified as other changes in net position.

STUDENT TUITION AND FEES. Substantially all of the student tuition and fees provide for current operations of UC Davis.

UC Davis recognizes certain scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student, as well as third parties making payments on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances recorded as an offset to revenues in the statements of revenues, expenses and changes in net position for the years ended June 30 are as follows:

(in thousands of dollars)

	2017	2016
Student tuition and fees	$146,508	$139,220
Auxiliary enterprises	27,410	23,501
Other operating revenues	13,611	12,625
SCHOLARSHIP ALLOWANCES	**$187,529**	**$175,346**

STATE APPROPRIATIONS. The state of California provides appropriations to the University on an annual basis and UC Davis receives an allocation of these funds. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement or specific operating purposes are reported as operating expenses. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations, such as AIDS, tobacco, and breast cancer research, are reported as grant operating revenue.

GRANT AND CONTRACT REVENUE. UC Davis receives grant and contract revenue from governmental and private sources. Revenue associated with the direct costs of sponsored programs is recognized as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UC Davis' federal cognizant agency, the U.S. Department of Health and Human Services. For the fiscal year ended June 30, 2017, the facilities and administrative cost recovery totaled $131 million; $93 million from federally sponsored programs and $38 million from other sponsors. For the fiscal year ended June 30, 2016, the facilities and administrative cost recovery totaled $127 million; $89 million from federally sponsored programs and $38 million from other sponsors.

MEDICAL CENTER REVENUE. Medical center revenue is reported at the estimated net realizable amounts from patients, third-party payors including Medicare, Medi-Cal, and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

NET PENSION LIABILITY. The University of California Retirement Plan ("UCRP") provides retirement benefits to retired employees of UC Davis. UC Davis is required to contribute to UCRP at a rate set by the Regents. Net pension liability includes the Campus' share of the University's net pension liability for UCRP. The Campus' share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in the fiduciary net position of UCRP have been measured consistent with the accounting policies used by the Plan. For purposes of measuring UCRP's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting polices used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

PENSION PAYABLE TO UNIVERSITY. Additional deposits in UCRP have been made using University resources to make up the gap between the approved contribution rates and the required contributions based on the Regents' funding policy. These deposits, carried as internal loans by the University, are being repaid by the Campus, plus accrued interest, over a thirty-year period through a supplemental pension assessment. The Campus' share of the internal loans has been determined based upon their proportionate share of covered compensation for the fiscal year. Supplemental pension assessments are reported as pension expense by the Campus. Additional deposits in UCRP by the University, and changes in the Campus' share of the internal loans, are reported as other changes in net position.

RETIREE HEALTH BENEFITS AND LIABILITY. The University provides retiree health benefits to retired employees of the Campus. The University established the UCRHBT to allow certain University locations and affiliates, including UC Davis, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Contributions from the Campus to the UCRHBT are effectively made to a single-employer health plan administered by the University as a cost-sharing plan. The Campus is required to contribute at a rate assessed each year by the University.

Net retiree health benefits liability includes the Campus' share of the University's net retiree health benefits liability for UCRHBT. The Campus' share of net retiree health benefits liability, deferred inflows of resources, deferred outflows of resources and retiree health benefits expense have been determined based upon their proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting policies used by the trust. For purposes of measuring UCRHBT's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Additional information on the UCRHBT can be obtained from the University's 2016-2017 Annual Financial Report.

TRANSACTIONS WITH THE UNIVERSITY AND UNIVERSITY AFFILITATES. The Campus has various transactions with the University and University affiliates. The University, as the primary reporting entity, has at its discretion the ability to transfer cash from the Campus at will (subject to certain restrictive covenants or bond indentures) and to use that cash at its discretion. UC Davis records revenue and expense transactions where direct and incremental economic benefits are received by the Campus.

Certain revenues and expenses are allocated from the University to UC Davis. Allocated revenues and expenses reported in the statements of revenues, expenses and changes in net position are management's best estimates of UC Davis' arms-length receipt and payment of such amounts.

COMPENSATED ABSENCES. UC Davis accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

ENDOWMENT SPENDING. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UC Davis programs. During fiscal 2017 and 2016 the University approved an endowment payout of 4.75 percent. To the extent that net income earned (interest and dividends reduced by investment management fees) is less than distributable endowment income, net gains are appropriated in order to meet the approved payout rate.

TAX EXEMPTION. The University of California is recognized as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). Because the University is a state institution, related income received by UC Davis is also exempt from federal tax under IRC Section 115(a). In addition, UC Davis is exempt from state income taxes imposed under the California Revenue and Taxation Code.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made, and actual amounts could differ from those estimates.

NEW ACCOUNTING PRONOUCEMENTS. In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements, effective for the University's fiscal year beginning July 1, 2017. This statement addresses when Irrevocable Split-Interest Agreements constitute an asset for accounting and financial reporting purposes when the resources are administered by a third party. The Statement also provides expanded guidance for circumstances in which the government holds the assets. The University is evaluating the effect that Statement No. 81 will have on its financial statements.

In December 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations, effective for the University's fiscal year beginning July 1, 2018. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Statement requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. Disclosure requirements include a general description of the asset retirement obligation and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability, and other relevant information. The University is evaluating the effect that Statement No. 83 will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, effective for the University's fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The University is evaluating the effect that Statement No. 84 will have on its financial statements.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017, effective for the University's fiscal year beginning July 1, 2017. The Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application and post-employment benefits. The University is evaluating the effect Statement No. 85 will have on its financial statements.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues, effective for the University's fiscal year beginning July 1, 2017. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with resources other than the proceeds of the refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, this Statement revises existing standards for prepaid insurance associated with extinguished debt. The University is evaluating the effect Statement No. 86 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, Leases, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The University is evaluating the effect Statement No. 87 will have on its financial statements.

1. Cash and Cash Equivalents

The University maintains centralized management for substantially all of its cash and cash equivalents. UC Davis's cash and cash equivalents consists of cash in demand deposit accounts and cash in the University STIP.

Cash in UC Davis' demand deposit accounts is minimized by sweeping available cash balances into the University's investment accounts on a daily basis. At June 30, 2017 and 2016, the carrying amount of UC Davis' STIP balance and demand deposits, generally held in nationally recognized banking institutions, was $734 million and $630 million, respectively and bank balances were $729 million and $625 million, respectively. The difference between the carrying amount and the bank balance is due to outstanding transfers, checks, and other reconciling items. UC Davis' deposits in demand deposit accounts are uninsured and uncollateralized. UC Davis does not have significant exposure to foreign currency risk in its cash and cash equivalents.

A portion of UC Davis' cash is deposited by the University into STIP. STIP allows UC Davis to maximize its returns on its short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses is invested in STIP. At June 30, 2017 and 2016, the carrying amount of UC Davis' STIP was $742 million and $626 million, respectively.

2. Investments

The Regents, as the governing Board of the University, are responsible for the oversight of the University's investments and establishes an investment policy, which is carried out by the University's Chief Investment Officer. These investments are associated with the STIP, TRIP, GEP, and other investment pools managed by the University's Chief Investment Officer, or are separately invested.

UC Davis' share of STIP is classified as cash and cash equivalents in the statements of net position.

The University does not maintain the composition of investments by investment type for each campus. The University managed commingled funds (UC pooled funds) serve as the core investment vehicle for UC Davis. A description of the funds used is as follows:

TRIP allows UC Davis the opportunity to maximize the return on its long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed income and alternative investments. The fair value of UC Davis' investment in TRIP was $915.2 million and $913.0 million at June 30, 2017 and 2016, respectively.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. The fair value of UC Davis's investment in GEP was $740.0 million and $663.1 million at June 30, 2017 and 2016, respectively.

There are many factors that can affect the value of investments. In addition to market risk, credit risk, custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed-income securities. Equity securities are affected by such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risk, inflation and changes in interest rates.

More detail about the University of California's investments can be found in the University's 2016-2017 Annual Financial Report.

3. Investments Held by Trustees

UC Davis has entered into agreements with trustees to maintain trusts for UC Davis' long-term debt requirements, capital projects and landfill closure requirements. All investments held by trustees are insured, registered or held by the University of California's trustee or custodial bank, as fiduciary for the bondholder or as an agent for the University.

The trust agreements permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Investments held by trustees for future landfill closure expenditures are in accordance with requirements of the California Integrated Waste Management Board and reported as current assets. The fair value of these investments was $1.7 million at June 30, 2017.

Investments held by trustees for endowment life annuities are reported as noncurrent assets. The fair value of these investments was $3.3 million at June 30, 2017.

UC Davis' deposits into the trusts, or receipts from the trusts, are classified as a capital and related financing activity in the statements of cash flows if related to long-term debt requirements or capital projects. Investment transactions initiated by trustees in conjunction with the management of the trust assets and payments from the trust to third parties are not included in UC Davis' statements of cash flows.

4. Accounts Receivable

Accounts receivable and the allowances for uncollectable amounts are as follows:

(in thousands of dollars)

	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTER	LOCAL AND PRIVATE GRANTS AND CONTRACTS	EDUCATIONAL ACTIVITIES	OTHER	TOTAL
At June 30, 2017						
Accounts receivable	$98,796	$361,297	$40,620	$36,068	$53,696	$590,477
Allowance for uncollectible amounts	(5)	(61,991)	(237)	(10,461)	(384)	(73,078)
ACCOUNTS RECEIVABLE, NET	**$98,791**	**$299,306**	**$40,383**	**$25,607**	**$53,312**	**$517,399**
At June 30, 2016						
Accounts receivable	$97,699	$344,223	$38,411	$37,483	$43,819	$561,635
Allowance for uncollectible amounts	(11)	(49,962)	(246)	(15,253)	(545)	(66,017)
ACCOUNTS RECEIVABLE, NET	**$97,688**	**$294,261**	**$38,165**	**$22,230**	**$43,274**	**$495,618**

Other accounts receivable are primarily related to student tuition and fees and auxiliary enterprises.

The expense for uncollectible accounts have decreased the following revenues for the years ended June 30:

(in thousands of dollars)

	2017	2016
Medical center	$108,876	$96,770
Educational activities	11,398	10,203
All other revenues	902	1,354
EXPENSE FOR UNCOLLECTIBLE ACCOUNTS	**$121,176**	**$108,327**

5. Pledges Receivable

The composition of pledges receivable at June 30 is summarized as follows:

(in thousands of dollars)

	2017	2016
Total pledges receivable outstanding	$3,205	$4,460
Less: Unamortized discount to present value	(40)	(38)
Allowance for uncollectible pledges	(398)	(543)
TOTAL PLEDGES RECEIVABLE, NET	**$2,767**	**$3,879**
Less: Current portion of pledges receivable	(1,328)	(2,635)
NONCURRENT PORTION OF PLEDGES RECEIVABLE	**$1,439**	**$1,244**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2017 and thereafter are as follows:

(in thousands of dollars)

Year ending June 30	
2018	$1,725
2019	475
2020	366
2021	305
2022	134
2023-2024	200
TOTAL PAYMENTS ON PLEDGES RECEIVABLE	**$3,205**

6. Notes And Mortgages Receivable

Notes and mortgages receivable, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

	CURRENT PORTION	NONCURRENT PORTION		
		NOTES	MORTGAGES	TOTAL
At June 30, 2017				
Notes and mortgages receivable	$11,237	$78,346	$334	$78,680
Allowance for uncollectible amounts	(844)	(5,426)		(5,426)
NOTES AND MORTGAGES RECEIVABLE, NET	**$10,393**	**$72,920**	**$334**	**$73,254**
At June 30, 2016				
Notes and mortgages receivable	$11,449	$79,760	$277	$80,037
Allowance for uncollectible amounts	(1,216)	(5,743)		(5,743)
NOTES AND MORTGAGES RECEIVABLE, NET	**$10,233**	**$74,017**	**$277**	**$74,294**

7. Capital Assets, Net

UC Davis' capital asset activity for the years ended June 30, 2017 and 2016, is as follows:

(in thousands of dollars)

	2015	ADDITIONS	DISPOSALS	2016	ADDITIONS	DISPOSALS	2017
ORIGINAL COST							
Land	$60,894	$65	($860)	$60,099	$1,222		$61,321
Infrastructure	213,356	2,470		215,826	8,152		223,978
Buildings & improvements	4,064,414	127,266	(4,724)	4,186,956	243,041	$(1,198)	4,428,799
Equipment	986,244	75,891	(39,073)	1,023,062	76,303	(45,992)	1,053,373
Software	78,504	2,850	(23,654)	57,700	7,986	(8,467)	57,219
Intangible assets	7,010	1,983	(1,741)	7,252	1,380	(1,384)	7,248
Libraries & collections	444,725	15,142	(849)	459,018	13,772	(273)	472,517
Special collections	46,703	4,214	(2)	50,915	6,053		56,968
Construction in progress	155,930	66,180		222,110	(44,351)		177,759
CAPITAL ASSETS, AT ORIGINAL COST	**$6,057,780**	**296,061**	**($70,903)**	**$6,282,938**	**$313,558**	**($57,314)**	**$6,539,182**

	2015	DEPRECIATION & AMORTIZATION	DISPOSALS	2016	DEPRECIATION & AMORTIZATION	DISPOSALS	2017
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$96,367	$7,513		$103,880	$7,427		$111,307
Buildings & improvements	1,733,879	107,175	$(3,107)	1,837,947	130,082	$(1,046)	1,966,983
Equipment	693,423	82,251	(32,456)	743,218	69,880	(37,007)	776,091
Software	46,119	9,199	(22,806)	32,512	8,537	(8,467)	32,582
Intangible assets	2,684	1		2,685	13		2,698
Libraries & collections	324,111	14,424	(967)	337,568	14,591	(849)	351,310
ACCUMULATED DEPRECIATION AND AMORTIZATION	**$2,896,583**	**$220,563**	**($59,336)**	**$3,057,810**	**$230,530**	**($47,369)**	**$3,240,971**
CAPITAL ASSETS, NET	**$3,161,197**			**$3,225,128**			**$3,298,211**

Service concession arrangements with an original cost of $70 million are reported as buildings and improvements, with a corresponding $19 million and $18 million of accumulated depreciation at June 30, 2017 and 2016, respectively.

8. Debt

The University directly finances the construction, renovation and acquisition of facilities and equipment, or for such other purposes as are authorized by the Regents for UC Davis and other UC campuses through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

UC Davis' portion of the University of California's outstanding debt at June 30 is as follows:

(in thousands of dollars)

	INTEREST RATE RANGE	PRINCIPLE PAYMENT TERMS	2017	RESTATED 2016
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:				
General Revenue Bonds				
Fixed Rate	1.0 - 7.6%	Through 2115	$907,445	$896,535
Variable Rate	0.9 - 1.1%	Through 2048	88,603	88,603
Medical Center Pooled Revenue Bonds	0.9 - 5.3%	Through 2047	337,570	282,054
Limited Project Revenue Bonds	1.0 - 6.3%	Through 2046	218,719	223,898
Unamortized bond premium			134,007	94,603
REVENUE BONDS			**1,686,344**	**1,585,693**
Mortgages and other borrowings	Various	Through 2018	5,520	11,952
Capital lease obligations	1.3 - 2.25%	Through 2021	2,336	559
TOTAL DEBT OBLIGATIONS			**1,694,200**	**1,598,204**
Less: Amounts due within one year			(155,895)	(156,843)
NONCURRENT PORTION OF DEBT			**$1,538,305**	**$1,441,361**

Total interest expense for the years ended June 30, 2017 and 2016 was $55 million and $65 million, respectively.

Outstanding Debt Activity

Activity with respect to UC Davis' current and noncurrent debt for the years ended June 30 is as follows:

(in thousands of dollars)

	REVENUE BONDS	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL
Year ended June 30, 2017				
Current portion	$145,256	$11,333	$254	$156,843
Reclassification from noncurrent	84,435	668	1,193	86,296
Principal payments	(69,606)	(6,481)	(797)	(76,884)
Amortization of deferred premium	(10,360)			(10,360)
CURRENT PORTION	**$149,725**	**$5,520**	**$650**	**$155,895**
Noncurrent portion	$1,440,437	$619	$305	$1,441,361
New obligations	432,204	49	2,574	434,827
Refinancing or prepayment of debt	(251,587)			(251,587)
Reclassification to current	(84,435)	(668)	(1,193)	(86,296)
NONCURRENT PORTION	**$1,536,619**	**$0**	**$1,686**	**$1,538,305**
Year ended June 30, 2016 (RESTATED)				
Current portion	$142,294	$15,652	$854	$158,800
Reclassification from noncurrent	56,345	6,481	254	63,080
Principal payments	(46,556)	(10,800)	(854)	(58,210)
Amortization of deferred premium	(6,827)			(6,827)
CURRENT PORTION	**$145,256**	**$11,333**	**$254**	**$156,843**
Noncurrent portion	$1,417,349	$7,100	$559	$1,425,008
New obligations	93,198			93,198
Refinancing or prepayment of debt	(13,765)			(13,765)
Reclassification to current	(56,345)	(6,481)	(254)	(63,080)
NONCURRENT PORTION	**$1,440,437**	**$619**	**$305**	**$1,441,361**

Commercial Paper

The University has a commercial paper program available which may be used for interim financing for capital assets, gift financed projects or working capital.

The program's liquidity is supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitutes limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

UC Davis' commercial paper outstanding at June 30, 2017 and 2016 was $73 million and $44 million, respectively. Unallocated commercial paper available to draw at June 30, 2017 and 2016 was $180 million and $221 million, respectively.

Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic and research facilities of UC Davis. They have annual principal and semiannual interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions.

General Revenue Bonds are collateralized solely by general revenues defined in the indenture as certain operating and nonoperating revenues consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary, and other activities and other revenues, including unrestricted investment income. The General Revenue Bond indenture requires the University to set rates, charges, and fees each year sufficient for general revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. UC Davis' general revenues for the years ended June 30, 2017 and 2016 were $1.5 billion and $1.4 billion, respectively.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents. The indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants.

Medical Center Pooled Revenue Bonds are issued to finance the University of California medical centers and are collateralized by a joint and several pledge of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical center gross revenues to pay for the annual principal and interest on the bonds and certain other financial covenants.

The pledge of revenues under Limited Project Revenue Bonds is subordinate to the pledge of revenues associated with projects financed with General Revenue Bonds, but senior to pledges for commercial paper notes. Medical center gross revenues are not pledged for any purpose other than under the indentures for the Medical Center Pooled Revenue Bonds.

All indentures permit the University to issue additional bonds as long as certain conditions are met.

2017 Activity

In August 2016, Medical Center Pooled Revenue Bonds totaling $342.4 million, including $276.7 million of fixed-rate bonds and $65.7 million variable-rate demand bonds, were issued to finance and refinance certain facilities and projects of the Medical Center. Proceeds for the UC Davis Medical Center, including a net bond premium of $48.4 million, were used to pay for project construction, and issuance costs, and to refund $265.2 million of outstanding Medical Center Pooled Revenue Bonds. The bonds mature at various dates through 2047. The tax-exempt and taxable bonds have a stated weighted average interest rate of 4.5 percent and 3.0 percent, respectively. The refunding of the outstanding Medical Center Pooled Revenue Bonds resulted in a loss of $9.5 million, recorded as a deferred outflow of resources that will be amortized as interest expense over the term of the refunded bonds. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. Medical Center gross revenues continue to be pledged under the Indenture for the Medical Center Pooled Revenue Bonds.

In April 2017, General Revenue Bonds totaling $36.2 million, including $34.7 million in tax-exempt bonds and $1.5 million in taxable bonds, were issued to finance certain projects and working capital purposes of the Campus. The bonds mature at various dates through 2047 and the taxable fixed rate notes mature in 2028. Proceeds, including a bond premium of $5.2 million, were used to pay for project construction and issuance costs. The tax-exempt bonds have a stated weighted average interest rate of 4.8 percent. The taxable bonds have a stated weighted average interest rate of 3.8 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2016 Activity

In April 2016, General Revenue Bonds totaling $72.9 million, including $56.1 million in tax-exempt bonds and $16.8 million in taxable bonds were issued to finance or refinance certain facilities and projects of the University. The bonds mature at various dates through 2046. Proceeds for the campus, including a bond premium of $12 million, were used to pay for project construction and issuance costs and to refund $14 million of outstanding General Revenue Bonds. The refunding of the outstanding General Revenue Bonds resulted in a loss of $0.8 million, recorded as a deferred outflow of resources that will be amortized as interest expense over the remaining life of the refunded bonds. The taxable bonds have a stated weighted average interest rate of 3.5 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In June 2016, Limited Project Revenue Bonds totaling $7.4 million, including $5.7 million tax-exempt bonds and $1.7 million taxable bonds, were issued to finance certain construction projects of the University. The bonds mature at various dates through 2046. Proceeds for the campus, including a bond premium of $1 million, were used to pay for project construction and issuance costs. A loss of $0.2 million was recorded as a deferred outflow of resources that will be amortized as interest expense over the remaining life of the refunded bonds. The taxable bonds have a stated weighted average interest rate of 3.1 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Subsequent Events

In September 2017, $48.4 million tax-exempt Limited Project Revenue Bonds were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the Campus. The bonds mature at various dates through 2047. Proceeds, including a bond premium of $8.6 million, were used to pay for project construction and issuance costs. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Capital Leases

Capital leases entered into with other lessors, typically for equipment, totaled $2.6 million for the year ended June 30, 2017.

Other University Borrowings

UC Davis may use uncollateralized revolving lines of credit with commercial banks to provide interim financing for buildings and equipment. Lines of credit commitments totaled $13 million at June 30, 2017. Outstanding borrowings under these bank lines totaled $5 million at June 30, 2017.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2017, and thereafter are as follows:

(in thousands of dollars)

	REVENUE BONDS	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year ending June 30						
2018	$115,474	$5,523	$680	$121,677	$57,129	$64,548
2019	117,350		596	117,946	52,910	65,036
2020	115,346		596	115,942	52,951	62,991
2021	113,263		533	113,796	52,889	60,907
2022	111,693			111,693	53,078	58,615
2023 - 2027	525,894			525,894	280,055	245,839
2028 - 2032	407,952			407,952	221,833	186,119
2033 - 2037	376,018			376,018	240,732	135,286
2038 - 2042	299,609			299,609	216,611	82,998
2043 - 2047	220,220			220,220	172,866	47,354
2048 - 2052	52,900			52,900	19,139	33,761
2053 - 2115	556,025			556,025	140,000	416,025
TOTAL FUTURE DEBT SERVICE	**3,011,744**	**5,523**	**2,405**	**3,019,672**	**$1,560,193**	**$1,459,479**
Less: Interest component of future payments	(1,459,407)	(3)	(69)	(1,459,479)		
PRINCIPAL PORTION OF FUTURE PAYMENTS	**1,552,337**	**5,520**	**2,336**	**1,560,193**		
Adjusted by:						
Unamortized bond premium	134,007			134,007		
TOTAL DEBT	**$1,686,344**	**$5,520**	**$2,336**	**$1,694,200**		

General Revenue Bonds of $89 million are variable-rate demand bonds which reset weekly and, in the event of a failed remarketing, can be put back to the Regents for tender, therefore, UC Davis has classified these bonds as current liabilities as of June 30, 2017 and 2016.

9. Other Current and Noncurrent Liabilities

UC Davis' other liabilities as of June 30 are as follows:

(in thousands of dollars)

	2017		RESTATED 2016	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Compensated absences	$95,303	$63,511	$90,399	$58,959
Third-party payor settlement liability	128,503		157,176	
Accrued interest	8,722		8,782	
McClellan closure		17,593		17,593
Pollution remediation		56,136		56,366
Landfill closure		2,030		2,040
Other liabilities	15,766	3,724	15,459	2,977
TOTAL OTHER LIABILITIES	**$248,294**	**$142,994**	**$271,816**	**$137,935**

Pollution Remediation Liabilities

Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated UC Davis is among the responsible parties. The Campus reviews the liabilities annually and may increase or decrease the cost or recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. These estimates consider the investigative work and analysis of engineers, outside environmental consultants, and the advice of legal staff regarding the status and anticipated results of various administrative and legal proceedings. In most cases, only a range of reasonably possible costs can be estimated. In establishing the Campus' liability, the sum of probability-weighted amounts in a range of possible estimated amounts is used. Accordingly, such estimates can change as the Campus periodically evaluates and revises these estimates as new information becomes available. The Campus cannot predict whether new information gained as projects progress will affect the estimated liability accrued. The timing of payment for estimated future environmental costs is influenced by a number of factors such as the regulatory approval process, and the time required to design, construct, and implement the remedy. There were no expected recoveries at June 30, 2017 reducing the pollution remediation liability.

McClellan Closure Liability

In September 1999, the Regents of the University of California authorized UC Davis to acquire the McClellan Nuclear Radiation Center ("MNRC") from the Department of Defense. The Nuclear Regulatory Commission license for this reactor requires that the majority (51 percent) of the workload be for the purposes of education and research. Legislation authorized the allocation of $17.6 million to UC Davis to cover the cost of the eventual decommissioning of the MNRC which is anticipated to occur in 2029. A fund functioning as an endowment has been established for these funds and the estimated decommission costs recorded as a liability.

Landfill Closure

UC Davis has two landfill units. Unit I has a total capacity of nearly 252 thousand cubic yards and was closed in June 2001. Unit II is made up of 8 cells with a combined capacity of 703 thousand cubic yards and was closed as of August 2011 before reaching its full capacity.

State laws and regulations require UC Davis to perform certain maintenance and monitoring functions at each landfill site for 30 years after closure. In 2012, with the formal closing of the landfill, the full present value of the closure and post closure costs was reported for a total liability of $4 million.

UC Davis is required by state laws and regulations to make contributions to a trust to finance closure care. At June 30, 2017, investments of $1.7 million were held for these purposes.

10. Deferred Outflows And Inflows Of Resources

The composition of deferred outflows and inflows of resources as of June 30 is summarized as follows:

(in thousands of dollars)

	SERVICE CONCESSION ARRANGEMENTS	NET PENSION LIABILITY	NET RETIREE HEALTH BENEFITS LIABILITY	DEBT REFUNDING	TOTAL
At June 30, 2017					
Deferred outflows of resources		$172,058	$624,820	$44,284	$841,162
Deferred inflows of resources	$50,293	150169	778964		979,426
At June 30, 2016					
Deferred outflows of resources		$729,160	$701,567	$50,388	$1,481,115
Deferred inflows of resources	$51,532	221542	287766		560,840

11. Retirement Plans

Substantially all full-time employees of UC Davis participate in the University of California Retirement System ("UCRS") that is administered by the University. The UCRS consists of UCRP, a single-employer defined benefit pension plan, and the University of California Retirement Savings Program ("UCRSP") that includes four defined contribution plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents have the authority to establish and amend the benefit plans. Additional information on the retirement plans can be obtained from the 2016-2017 annual reports of the University of California Retirement System.

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN. UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments ("COLAs") are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2017:

	UNIVERSITY OF CALIFORNIIA
Retirees and beneficiaries receiving benefits	72,995
Inactive members entitled to, but not receiving benefits	87,052
Active members:	
Vested	76,064
Nonvested	53,318
Total active members	129,382
TOTAL MEMBERSHIP	**289,429**

CONTRIBUTIONS. Contributions to UCRP are made by UC Davis and its employees. The rates for contributions as a percentage of payroll are determined annually pursuant to the Regents' funding policy and based upon recommendations of the consulting actuary. The Regents determine the portion of the total contribution to be made by the campuses and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Effective July 1, 2014, employee member contributions range from 7 percent to 9 percent. The University pays a uniform contribution rate of 14 percent of covered payroll on behalf of all UCRP members.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or a lump sum equal to the present value of their accrued benefits.

Contributions were as follows for the years ended June 30:

(in thousands of dollars)

	2017			2016		
	EMPLOYER	EMPLOYEE	TOTAL	EMPLOYER	EMPLOYEE	TOTAL
Campus	$137,400	$78,725	$216,125	$131,276	$75,502	$206,778
Medical Center	102,403	58,672	161,075	95,435	54,888	150,323
TOTAL	**$239,803**	**$137,397**	**$377,200**	**$226,711**	**$130,390**	**$357,101**

Additional deposits were made by the University to UCRP for the fiscal years ended June 30, 2017 and 2016. The Campus and medical center reported pension expense and an increase in the pension payable to the University for its portion of these additional deposits based upon their proportionate share of covered compensation for the year ended June 30 as follows:

(in thousands of dollars)

	2017	2016
Campus	$42,946	$50,907
Medical Center	32,007	37,008
TOTAL	**$74,953**	**$87,915**

NET PENSION LIABILITY. The UC Davis Campus' and medical center's proportionate share of the net pension liability for UCRP as of June 30 is as follows:

(in thousands of dollars)

	2017		2016	
	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Campus	8.9%	$905,879	9.0%	$1,232,451
Medical Center	6.7%	675,141	6.6%	895,967
TOTAL		**$1,581,020**		**$2,128,418**

UC Davis' net pension liability was measured as of June 30 and calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1 one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of certain events occurring far into the future. UC Davis' net pension liability was calculated using the following methods and assumptions:

(shown as a percentage)

	2017	2016
Inflation	3.0%	3.0%
Investment rate of return	7.25	7.25
Projected salary increases	3.8 - 6.2	3.8 - 6.2
Cost-of-living adjustments	2.0	2.0

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in 2017 were based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members, inactive members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale of 2029, with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP 2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2015 based on a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

(shown as a percentage)

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
U.S. Equity	28.5%	6.1%
Developed International Equity	18.5	7.0
Emerging Market Equity	8.0	8.6
Core Fixed Income	12.5	0.8
High Yield Bonds	2.5	3.0
Emerging Market Debt	2.5	3.9
TIPS	4.5	0.4
Real Estate	5.5	4.8
Private Equity	8.0	11.2
Absolute Return	6.5	4.2
Real Assets	3.0	4.4
TOTAL	**100.0%**	**5.6%**

DISCOUNT RATE. The discount rate used to estimate the net pension liability as of June 30, 2017 and 2016 was 7.25 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, the Campus and medical center contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected Campus, medical center and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2017 and 2016.

SENSITIVITY OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION. The following presents the June 30, 2017 net pension liability of the Campus and the medical center calculated using the June 30, 2017 discount rate assumption of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (6.25%)	CURRENT DISCOUNT (7.25%)	1% INCREASE (8.25%)
Campus	$1,637,924	$905,879	$294,576
Medical Center	1,220,725	675,141	219,544
TOTAL	**$2,858,649**	**$1,581,020**	**$514,120**

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES. Deferred outflows of resources and deferred inflows of resources for pension were related to the following sources as of the years ended June 30:

(in thousands of dollars)

	CAMPUS	MEDICAL CENTER	TOTAL
At June 30, 2017			
DEFERRED OUTFLOW OF RESOURCES			
Changes in proportion and differences between contributions and proportionate share of contributions	$2,799	$18,863	$21,662
Changes of assumptions or other inputs	70,154	52,287	122,441
Difference between expected and actual experience	16,018	11,937	27,955
TOTAL	**$88,971**	**$83,087**	**$172,058**
DEFERRED INFLOWS OF RESOURCES			
Changes in proportion and differences between contributions and proportionate share of contributions	$30,548	$6,509	$37,057
Changes of assumptions or other inputs	33,822	25,208	59,030
Net difference between projected and actual earnings on pension plan investments	17,500	13,043	30,543
Difference between expected and actual experience	13,488	10,051	23,539
TOTAL	**$95,358**	**$54,811**	**$150,169**
At June 30, 2016			
DEFERRED OUTFLOW OF RESOURCES			
Changes in proportion and differences between contributions and proportionate share of contributions	$2,444	$20,867	$23,311
Changes of assumptions or other inputs	161,705	117,557	279,262
Net difference between projected and actual earnings on pension plan investments	234,970	170,818	405,788
Difference between expected and actual experience	12,044	8,755	20,799
TOTAL	**$411,163**	**$317,997**	**$729,160**
DEFERRED INFLOWS OF RESOURCES			
Changes in proportion and differences between contributions and proportionate share of contributions	$32,965	$9,521	$42,486
Changes of assumptions or other inputs	79,247	57,612	136,859
Difference between expected and actual experience	24,434	17,763	42,197
TOTAL	**$136,646**	**$84,896**	**$221,542**

Net deferred outflows of resources and deferred inflows of resources as of June 30, 2017 related to pensions will be recognized in pension expense during the five years ending June 30 as follows:

(in thousands of dollars)

	CAMPUS	MEDICAL CENTER	TOTAL
Year ending June 30			
2018	($40,993)	($18,243)	($59,236)
2019	67,710	58,071	125,781
2020	27,179	26,444	53,623
2021	(60,151)	(39,610)	(99,761)
2022	(132)	1,614	1,482
TOTAL	**($6,387)**	**$28,276**	**$21,889**

UCRSP PLANS. The UCRSP plans (DC Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pretax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pretax employee contributions and the University may also make contributions on behalf of certain members of management. Benefits from the Plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Additional information on the retirement plans can be obtained from the 2016-2017 annual report of the University of California Retirement System which can be obtained at *http://reportingtransparency.universityofcalifornia.edu/*.

12. Retiree Health Benefit Costs and Obligations

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision benefits, to eligible retirees and their eligible family members ("retirees") of the University of California and its affiliates. The Regents has the authority to establish and amend the benefit plans.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

	UNIVERSITY OF CALIFORNIIA
Retirees who are currently receiving benefits	42,974
Active members entitled to, but not yet receiving benefits	125,510
TOTAL MEMBERSHIP	**168,484**

CONTRIBUTIONS. The contribution requirements of eligible retirees and the participating university locations, such as UC Davis, are established and may be amended by the University. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance.

Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Participating University locations, such as UC Davis, are required to contribute at a rate assessed each year by the University. The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were $2.93 and $2.98 per $100 of UCRP covered payroll effective July 1, 2016 and 2015, respectively. This resulted in UC Davis contributions of $51 million and $48 million for years ended June 30, 2017 and 2016, respectively.

NET RETIREE HEALTH BENEFITS LIABILITY. The UC Davis Campus' and medical center's proportionate share of the net retiree health benefits liability as of June 30 is as follows:

(in thousands of dollars)

	2017		2016	
	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	**PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY**	**PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY**	**PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY**
Campus	8.9%	$1,659,773	9.0%	$1,894,693
Medical Center	6.6%	1,227,803	6.6%	1,385,392
TOTAL		**$2,887,576**		**$3,280,085**

UC Davis' net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of July 1. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the UC Davis' net retiree health benefits liability were:

(shown as a percentage)

	2017	**2016**
Discount rate	3.6 %	2.9 %
Inflation	3.0	3.0
Investment rate of return	3.0	3.0
Health care cost trend rates	Initially ranges from 5.0 to 9.5 decreasing to an ultimate rate of 5.0 for 2032 and later years.	Initially ranges from 6.3 to 9.0 decreasing to an ultimate rate of 5.0 for 2031 and later years.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions are based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For pre-retirement mortality rates, the RP-2014 White Collar Employee Mortality Tables (separate table for males and females) projected with the two-dimensional MP-2014 projection scale to 2029 were used. For post-retirement, healthy mortality rates are based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 and with ages then set back one year for males and set forward five years for females.

SENSITIVITY OF NET RETIREE HEALTH BENEFITS LIABILITY TO THE HEALTH CARE COST TREND RATE. The following presents the June 30, 2017 net retiree health benefits liability of the UC Davis Campus and medical center calculated using the June 30, 2017 health care cost trend rate assumption with initial trend ranging from 5.0 percent to 9.5 percent grading down to an ultimate trend of 5.0 percent over 15 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (4.0% TO 8.5% DECREASING TO 4.0%)	**CURRENT DISCOUNT (5.0% TO 9.5% DECREASING TO 5.0%)**	**1% INCREASE (6.0% - 10.5% INCREASING TO 6.0%)**
Campus	$1,410,593	$1,659,773	$2,004,273
Medical Center	1,043,474	1,227,803	1,482,643
TOTAL	**$2,454,067**	**$2,887,576**	**$3,486,916**

DISCOUNT RATE. The discount rate used to estimate the net retiree health benefits liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCHRBT plan assets are not sufficient to make benefit payments.

SENSITIVITY OF NET RETIREE HEALTH BENEFITS LIABILITY TO THE DISCOUNT RATE ASSUMPTION. The following presents the June 30, 2017 net retiree health benefits liability of the UC Davis campus and medical center calculated using the June 30, 2017 discount rate assumption of 3.58 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)

	1% DECREASE (2.58%)	**CURRENT DISCOUNT (3.58%)**	**1% INCREASE (4.58%)**
Campus	$1,988,657	$1,659,773	$1,416,501
Medical Center	1,471,092	1,227,803	1,047,844
TOTAL	**$3,459,749**	**$2,887,576**	**$2,464,345**

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES. Deferred outflows of resources and deferred inflows of resources for pension were related to the following sources as of the years ending June 30:

(in thousands of dollars)

	CAMPUS	MEDICAL CENTER	TOTAL
2017			
DEFERRED OUTFLOWS OF RESOURCES			
Changes in proportion and differences between location's contributions and proportionate share of contributions		$8,740	$8,740
Difference between expected and actual experience	$7,554	5,588	13,142
Changes of assumptions or other inputs	346,270	256,150	602,420
Net difference between projected and actual earnings on plan investments	298	220	518
TOTAL	**$354,122**	**$270,698**	**$624,820**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$130,776	$96,740	$227,516
Changes of assumptions or other inputs	333,933	217,515	551,448
TOTAL	**$464,709**	**$314,255**	**$778,964**
2016			
DEFERRED INFLOWS OF RESOURCES			
Changes in proportion and differences between location's contributions and proportionate share of contributions		$8,823	$8,823
Changes of assumptions or other inputs	$399,940	292,435	692,375
Net difference between projected and actual earnings on plan investments	213	156	369
TOTAL	**$400,153**	**$301,414**	**$701,567**
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	$177,874	$109,892	$287,766
TOTAL	**$177,874**	**$109,892**	**$287,766**

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ending June 30 is as follows:

(in thousands of dollars)

	CAMPUS	MEDICAL CENTER	TOTAL
Year ending June 30			
2018	($8,128)	($981)	($9,109)
2019	(8,128)	(981)	($9,109)
2020	(8,158)	(1,003)	($9,161)
2021	(8,188)	(1,025)	($9,213)
2022	(8,188)	(1,053)	($9,241)
Thereafter	(69,797)	(38,514)	($108,311)
TOTAL	**($110,587)**	**($43,557)**	**($154,144)**

Additional information on the retiree health plans can be obtained from the University's 2016-2017 Annual Financial Report.

13. Endowment Funds

The value of endowments and gifts held and administered by the University but reflected in UC Davis' statements of net position at June 30, 2017 and 2016 is as follows:

(in thousands of dollars)

	RESTRICTED NON-EXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2017				
Endowments	$119,110	$186,036		$305,146
Funds functioning as endowments		246,521	$161,389	407,910
Annuity and life income	2,102	1,161		3,263
Gifts		115,984	1,779	117,763
ENDOWMENTS AND GIFTS	**$121,212**	**$549,702**	**$163,168**	**$834,082**
At June 30, 2016 (RESTATED)				
Endowments	$116,695	$155,764		$272,459
Funds functioning as endowments		221,139	$143,451	364,590
Annuity and life income	2,228	1,032		3,260
Gifts		105,393	1,920	107,313
ENDOWMENTS AND GIFTS	**$118,923**	**$483,328**	**$145,371**	**$747,622**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The portion of investment returns earned on endowments held by the University and distributed each year to support current operations of UC Davis is based upon a rate of 4.75 percent (stated in dollars per share). The total distribution from endowments held by the University to UC Davis was $26 million for the year ended June 30, 2017.

14. Operating Expenses By Function

Operating expenses, by functional classification, for the years ended June 30, 2017 and 2016 are as follows:

(in thousands of dollars)

	2017	RESTATED 2016
Instruction	$916,548	$889,989
Research	569,826	609,357
Public service	97,678	93,797
Academic support	290,873	308,897
Student services	159,397	158,013
Institutional support	181,283	148,937
Operations and maintenance of plant	106,141	101,828
Student financial aid	87,817	88,472
Medical center	1,917,831	1,907,975
Auxiliary enterprises	110,606	104,842
Depreciation and amortization	230,530	220,563
Other, including impairment of capital assets	8,464	5,987
TOTAL	**$4,676,994**	**$4,638,657**

15. Segment Information

UC Davis' Medical Center revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical center's operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2017 is provided in footnote 18 of the University of California Annual Financial Report. Condensed financial statement information for the UC Davis Medical Center for the years ended June 30, 2017, and 2016, is below:

(in thousands of dollars)

	2017	2016
Revenue bonds outstanding	$337,570	$282,054
Related debt service payments	32,491	32,833
Bonds due serially through	2047	2047
CONDENSED STATEMENTS OF NET POSITION		
ASSETS		
Current assets	$999,025	$825,786
Capital assets, net	1,030,246	1,004,073
Other noncurrent assets	104,942	18,837
TOTAL ASSETS	**2,134,213**	**1,848,696**
DEFERRED OUTFLOWS OF RESOURCES	**362,917**	**630,774**
LIABILITIES		
Current liabilities	328,609	374,616
Long-term debt	362,743	268,671
Other noncurrent liabilities	2,145,257	2,493,557
TOTAL LIABILITIES	**2,836,609**	**3,136,844**
DEFERRED INFLOWS OF RESOURCES	**369,066**	**194,788**
NET POSITION		
Net investment in capital assets	640,415	701,366
Restricted: Expendable capital projects and other	86,748	
Unrestricted	(1,435,708)	(1,553,528)
TOTAL NET POSITION	**($708,545)**	**($852,162)**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$2,147,374	$1,935,274
Operating expenses	(1,904,823)	(1,895,627)
Depreciation expense	(78,839)	(79,291)
OPERATING INCOME (LOSS)	**163,712**	**(39,644)**
Nonoperating revenues (expenses), net	9,467	(461)
INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION	**173,179**	**(40,105)**
Health system support	(28,088)	(41,387)
Transfers (to) from University, net	(4,349)	(8,563)
Changes in allocation for pension payable to University	1,892	(1,184)
Other, included donated assets	983	2,074
INCREASE (DECREASE) IN NET POSITION	**143,617**	**(89,165)**
Net position – beginning of year	(852,162)	(762,997)
NET POSITION – END OF YEAR	**($708,545)**	**($852,162)**
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	$289,030	$207,723
Noncapital financing activities	(29,396)	(46,176)
Capital and related financing activities	(25,665)	(118,061)
Investing activities	(70,468)	12,168
NET INCREASE IN CASH AND CASH EQUIVALENTS	163,501	55,654
Cash and cash equivalents – beginning of year	464,908	409,254
CASH AND CASH EQUIVALENTS – END OF YEAR	**$628,409**	**$464,908**

16. UC Davis Foundation

Under University policies approved by the Regents, each campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the mission of the Campus and the University. Although an independent board governs the UC Davis Foundation, its assets are dedicated for the benefit of the Campus.

The UC Davis Foundation was established in 1959 to raise funds to benefit UC Davis. The UC Davis Foundation is a component unit of the Campus. The financial statements of the UC Davis Foundation are presented discretely in a separate column on the Campus' financial statements because of its nature and the significance of its relationship with the Campus. During the years ended June 30, 2017 and 2016, gifts of $40.0 million and $33.6 million, respectively, were transferred to the Campus from the UC Davis Foundation.

Condensed financial statement information related to UC Davis' foundation for the years ended June 30, 2017 and 2016 is as follows:

(in thousands of dollars)

	2017	2016
CONDENSED STATEMENTS OF NET POSITION		
ASSETS		
Current assets	$21,154	$41,005
Noncurrent assets	438,723	347,466
TOTAL ASSETS	**459,877**	**388,471**
LIABILITIES		
Current liabilities	720	682
Noncurrent liabilities	5,707	5,544
TOTAL LIABILITIES	**6,427**	**6,226**
NET POSITION		
Restricted	451,335	380,033
Unrestricted	2,115	2,212
TOTAL NET POSITION	**$453,450**	**$382,245**
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	$38,332	$31,476
Operating expenses	(40,312)	(33,860)
OPERATING INCOME (LOSS)	**(1,980)**	**(2,384)**
Nonoperating revenues (expenses), net	45,960	(12,198)
INCOME (LOSS) BEFORE CHANGES IN NET POSITION	**43,980**	**(14,582)**
Additions to permanent endowments	27,225	12,473
INCREASE (DECREASE) IN NET POSITION	**71,205**	**(2,109)**
Net position – beginning of year	382,245	384,354
NET POSITION – END OF YEAR	**$453,450**	**$382,245**
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	($6,636)	($19,481)
Noncapital financing activities	21,874	10,697
Investing activities	(18,574)	6,155
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,336)**	**(2,629)**
Cash and cash equivalents – beginning of year	18,097	20,726
CASH AND CASH EQUIVALENTS – END OF YEAR	**$14,761**	**$18,097**

Additional information for the Foundation can be found at:
http://giving.ucdavis.edu/recognition-resources/uc-davis-foundation/.

17. Commitments And Contingencies

CONTRACTUAL COMMITMENTS. Amounts committed but unexpended for construction projects totaled $224 million at June 30, 2017.

UC Davis leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2017 and 2016 were $50 million and $35 million, respectively. The terms of operating leases extend through the year 2034.

Future minimum payments on operating leases with an initial or remaining non-cancelable term in excess of one year are as follows:

(in thousands of dollars)

	MINIMUM ANNUAL LEASE PAYMENTS
Year Ending June 30	
2018	$45,918
2019	34,173
2020	27,139
2021	21,350
2022	18,733
2023 - 2027	38,448
2028 - 2032	19,311
2033 - 2034	8
TOTAL	**$205,080**

CONTINGENCIES. Substantial amounts are received and expended by UC Davis, including its medical center, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. UC Davis management believes that any liabilities arising from such audits will not have a material effect on UC Davis' financial position.

UC Davis is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UC Davis management and general counsel are of the opinion that the outcome of such matters will not have a material effect on UC Davis' financial position.

Required Supplementary Information

The schedule of the Campus' and medical center's proportionate share of UCRP's net pension liability is presented below:

(in thousands of dollars)

AS OF JUNE 30	PROPORTION OF THE NET PENSION LIABILITY	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
Davis Campus					
2017	8.9 %	$905,879	$982,584	92.2 %	84.0 %
2016	9.0	1,232,451	939,207	131.2	77.2
2015	9.2	888,905	899,612	98.8	82.9
2014	9.2	660,342	850,488	77.6	86.3
2013	9.5	1,004,519	819,467	122.6	78.3
Davis Medical Center					
2017	6.7 %	$675,141	$732,307	92.2 %	84.0 %
2016	6.6	895,967	682,784	131.2	77.2
2015	6.5	627,561	635,120	98.8	82.9
2014	6.6	468,810	603,824	77.6	86.3
2013	6.5	690,989	563,695	122.6	78.3
Total					
2017	15.6%	$1,581,020	$1,714,891	92.2 %	84.0 %
2016	15.6	2,128,418	1,621,991	131.2	77.2
2015	15.7	1,516,466	1,534,732	98.8	82.9
2014	15.8	1,129,152	1,454,312	77.6	86.3
2013	16.0	1,695,508	1,383,162	122.6	78.3

The schedule of the Campus' and medical center's proportionate share of UCRHBT's net retiree health benefits liability is presented below:

(in thousands of dollars)

	PROPORTION OF THE NET RETIREE HEALTH BENEFITS LIABILITY	PROPORTIONATE SHARE OF NET RETIREE HEALTH BENEFITS LIABILITY	COVERED PAYROLL	PROPORTIONATE SHARE OF THE NET RETIREE HEALTH BENEFITS LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL RETIREE HEALTH BENEFITS LIABILITY
Davis Campus					
2017	8.9 %	$1,659,773	$994,901	166.8 %	0.6 %
2016	9.0	1,894,693	933,779	202.9	0.3
2015	9.2	1,653,816	894,410	184.9	0.3
Davis Medical Center					
2017	6.6 %	$1,227,803	$735,904	166.8 %	0.6 %
2016	6.6	1,385,392	682,784	202.9	0.3
2015	6.5	1,174,370	635,120	184.9	0.3
Total					
2017	15.5 %	$2,887,576	$1,730,805	166.8 %	0.6 %
2016	15.6	3,280,085	1,616,563	202.9	0.3
2015	15.7	2,828,186	1,529,530	184.9	0.3

The UC Davis 2017 Annual Report is produced by the Office of Strategic Communications and the Division of Finance, Operations and Administration. No tuition or state funds were used to print this document.

Online version available at **chancellor.ucdavis.edu/reports/**

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UC DAVIS

annual report 2017

Attachment 2 Statement of Intent (SOI) Regarding Decommissioning Funding for the

UC Davis McClellan Nuclear Research Center and 2.0 MW TRIGA Reactor

UNIVERSITY OF CALIFORNIA, DAVIS

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO   SANTA BARBARA • SANTA CRUZ

KELLY M. RATLIFF
Vice Chancellor

FINANCE, OPERATIONS AND ADMINISTRATION
ONE SHIELDS AVENUE
DAVIS, CALIFORNIA 95616-8558
TELEPHONE: (530) 752-4964

May 25, 2018

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, DC 20555

RE: UC Davis McClellan Nuclear Research Center, License No. R-130 Docket No. 50-607
University of California, Davis
Financial Assurance Statement of Intent

As the Vice Chancellor of Finance, Operations, and Administration I have wide ranging authority and responsibility for campus operations and the allocation of resources. The University of California, Davis intends to operate its TRIGA reactor, located at the McClellan Nuclear Research Center, for the foreseeable future. The UC Davis McClellan Nuclear Research Center is a non-power reactor operated by The Regents of the University of California, a State of California government entity established by Article IX, Section IX of the California State Constitution, which reads in part:

> "a) The University of California shall constitute a public trust, to be administered by the existing corporation known as "The Regents of the University of California," with full powers of organization and government, subject only to such legislative control as may be necessary to insure the security of its funds and compliance with the terms of the endowments of the university and such competitive bidding procedures as may be made applicable to the university by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods, and services."

Based on a recent similar example at the University of Michigan, decommissioning costs of the reactor are currently estimated to be $24.9 million. A decommissioning fund is held in escrow and is approximately the same value as the estimated decommissioning cost. Any shortfall in decommissioning funds at the time of decommissioning are well within the University's financial ability to respond to as indicated under 10 CFR 50.75(e)(2)(iv). The University will make such funds (amount to be appropriately updated over time) available for decommissioning when necessary. The undersigned has been delegated authority to make this commitment and approved this Statement of Intent under Delegation of Authority 0131 and is therefore authorized by the Chancellor to make this commitment.

K Ratliff

Kelly Ratliff
Vice Chancellor
Finance, Operations, and Administration

/MCH

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT **CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Yolo

On 5/25/18 before me, Heather Urzua, Notary Public
Date — *Here Insert Name and Title of the Officer*

personally appeared Kelly Marie Ratliff
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

HEATHER URZUA
Notary Public – California
Yolo County
Commission # 2231916
My Comm. Expires Feb 23, 2022

Place Notary Seal and/or Stamp Above

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ____________
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document UC Davis MMPC
Title or Type of Document: Financial Assurance Statement of Intent
Document Date: May 25th, 2018 Number of Pages: 1
Signer(s) Other Than Named Above: ____________

Capacity(ies) Claimed by Signer(s)

Signer's Name:	Signer's Name:
☐ Corporate Officer – Title(s):	☐ Corporate Officer – Title(s):
☐ Partner – ☐ Limited ☐ General	☐ Partner – ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact	☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian of Conservator	☐ Trustee ☐ Guardian of Conservator
☐ Other:	☐ Other:
Signer is Representing:	Signer is Representing:

Attachment 3 Delegations of Authority

Official UC Davis Delegation of Authority
Offices of the Chancellor and Provost

****Retain this delegation for your records****

Delegation of Authority—Licenses for Radioactive Materials (DA 0131)

Vice Chancellor—Finance, Operations, and Administration

Source of Delegation: President Kerr's delegation dated 11/23/66 (DA 0131)
Effective Date of Delegation: 7/1/14
Supersedes: Chancellor Meyer's redelegation to Vice Chancellor—Business and Finance dated 7/2/86 and all subsequent redelegations (DA 0131)

The position of Vice Chancellor—Finance, Operations, and Administration is responsibility for nuclear reactor construction and operating licenses, AEC licenses for out-of-state operations, and any other licenses for radioactive materials and related activities within the parameters of the delegation from President Kerr.

Any redelegation of this authority must be in writing with copies to the individuals listed below.

Linda P.B. Katehi
Chancellor

Attachment: DA 0131 from President Kerr

c: Campus Policy Coordinator
Unit Policy Coordinator

DA 0131

November 23, 1966

CHANCELLORS:

Re: Licenses for Radioactive Materials

Authority and responsibility for licenses for radioactive materials and related activities have been undergoing gradual decentralization. Effective immediately, responsibility for nuclear reactor construction and operating licenses, for AEC[1] licenses for out-of-state operations and for any other licenses for radioactive materials and related activities is delegated to the Chancellors.

Clark Kerr

cc: University-wide Administrative Officer.

[1]Now DOE.