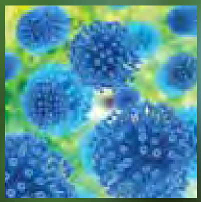
UC DAVIS

2016 annual report

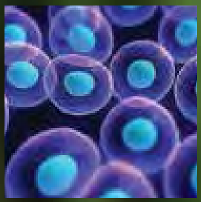
The Jan Shrem and Maria Manetti Shrem Museum of Art grand opening celebration, 2016. Grounded in the legacy of UC Davis' world-renowned first generation art faculty, the Jan Shrem and Maria Manetti Shrem Museum of Art is a hub of creative practice for today's thinkers, makers and innovators, now and for generations to come.



HIV VACCINE: An HIV vaccine, developed by UC Davis and Oregon Health Sciences University researchers, is planned for clinical trials in 2017.

WORLD'S FIRST 1,000-PROCESSOR CHIP: Researchers developed a chip that broke records for number of processors and clock rate.

ABALONE RESTORATION: UC Davis is rescuing the over-harvested white abalone from the brink of extinction.



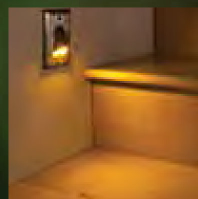
ONE HEALTH: Successful stem cell treatments being tested in companion animals show promise in offering new cures to humans.

Innovatio

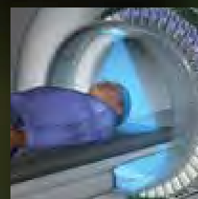
More than 18 gardens and plant collections at the UC Davis Arboretum serve as a living laboratory for innovative teaching and research. A favorite campus destination for recreation and reflection, the arboretum is also a valued public resource for sustainable gardening.

TEACHING WITH ROBOTS: C-STEM Studio is a new, free robotics and computing toolset for teachers to use to transform classroom learning.

BIOENGINEERED ORGANS: Assistant Professor Pablo Ross is experimenting with techniques for growing organs that can be transplanted to humans.



CIRCADIAN LIGHTING: The California Lighting Technology Center developed circadian lighting to give people a more natural interior environment.



TOTAL BODY SCANNER: The National Institutes of Health granted UC Davis $15.5M to build the world's first total-body PET scanner.

REDUCING POVERTY: As part of an ongoing focus, UC Davis convened lawmakers and researchers to help find answers to poverty.

CONCUSSION DIAGNOSIS: Coaches and team physicians will soon be able to assess athletes for possible concussions using low-cost mobile tools developed and field-tested at UC Davis.

nforyourworld

We all want a world where life is healthier, sustainable, safer and more enjoyable. UC Davis is helping us get there with innovations that translate to positive change around us. A breakthrough treatment, a safer food supply, a better way to learn — each has the power to improve our quality of life and give us hope. That's a world transformed.

“Upon the subject of education, I can only say that I view it as the most important subject which we as a people can be engaged in.”

—Abraham Lincoln

Our nation and people around the world have benefited from Lincoln’s broad vision that led to the creation of land-grant universities such as UC Davis when he signed the Morrill Act more than 150 years ago.

With this report, we highlight just some of the many proud accomplishments achieved by our faculty, students and staff as we work to fulfill the land-grant mission to make the world a better place for as many people as possible.

In these pages, you will also find a picture of our financial condition, which I am happy to report is strong, as well as an overview of our increasingly successful philanthropic efforts. Those efforts led to a record fundraising year in 2015–16, with plans for an even more ambitious campaign in the years ahead.

UC Davis is in an era of rapid change and transition, and can always be counted on as a beacon of innovation and discovery. We are a highly regarded institution of higher learning, committed to diversity, inclusion, freedom of expression and academic excellence that is transforming our world and lives everywhere. Whether you know our campus or not, this report shows once again some of the extraordinary breadth and depth of this outstanding public research university, and I thank you for taking the time to review it.

Sincerely,
Ralph J. Hexter
Interim Chancellor


shrem museum

Key statistics

Rankings

1st in the world

in veterinary medicine and plant and animal sciences (QS World University Rankings 2016; *U.S. News & World Report's "2017 Best Global Universities"*)

2nd in the nation

among top colleges for doing the most for low-income students (*The New York Times "College Access Index"* 2015)

4th in the world

in environment/ecology (*U.S. News & World Report's "2016 Best Global Universities"*)

1st in the world

for campus sustainability practices (*GreenMetric World University Ranking* 2016)

1st in the nation/ 2nd in the world

in agriculture (QS World University Rankings 2016 and *U.S. News & World Report's "2017 Best Global Universities"*)

10th in the nation

overall for public universities (*U.S. News & World Report's "2017 Best Colleges Rankings"*)

Financial aid

44% of undergraduates completing degrees in 2014–15 accrued **no debt** while at **UC Davis**. Those who graduated with debt averaged **$19,588**; the national average was $30,100.

During the 2015-16 academic year, **72%** of undergraduates received financial aid, averaging **$20,370** per award.

41% of undergraduates received Pell Grants in 2014–15 — **more than the entire Ivy League.**

56% of California resident undergraduates received enough gift aid to have systemwide **tuition and fees completely covered** in 2014–15.

Campus populations

Students (FALL 2016)

UC Davis enrolled 24,667 California resident undergraduates, more than any other UC campus.

HEAD COUNT

29,558 Undergraduates

4,422 Graduate

1,321 Professional

1,157 Health Science

937 Interns and residents

37,404 Total student population

GPA / DEMOGRAPHICS

4.05 Average freshman admits' GPA

29% Underrepresented minorities

59% Women

41% Men

Staff and student employees (FALL 2015)

7,218 Staff

8,031 Clinical staff

15,249 Total FTE staff

9,292 Student employees

Faculty (FALL 2015)

4,242 Faculty and other academic positions

Alumni

240,438 Living alumni with degrees

Degrees (Awarded 2015–16)

7,560 Bachelor's

2,092 Graduate & Professional

9,652 Total degrees awarded

Building

Maintenance workers converted more than 120 single-stall restrooms to be gender-inclusive.

To deliver critical mental health programs to students, officials hired 11 additional counselors in the Student Health and Counseling Center.

The Bike League named UC Davis the only Bicycle Friendly University and Bicycle Friendly Business in the nation, following a $2M investment to improve roads and bike pathways.

To serve victims and build hope, the UC Davis Police Department pioneers new ways to improve community policing.

When Betty Irene Moore Hall opens in fall 2017, it will serve as the main home for the Betty Irene Moore School of Nursing and support interprofessional education for other health sciences programs.

The School of Law built a majority-minority faculty, the only one of its kind among the country's top-tier law schools.

The $29.8 million International Center is the new home for the Center for International Education and other international programs.

community

At UC Davis, we build community — a place where people from all walks of life can learn, grow and discover together. Here, diversity is celebrated and new ideas are encouraged. We know that growth in our humanity is supported by physical infrastructure that encourages expression and open dialogue. With more than a dozen major capital projects currently in construction or recently completed — including the Ann E. Pitzer Center and the Jan Shrem and Maria Manetti Shrem Museum of Art — UC Davis is investing more than $370 million over the next five years to build a place for human and academic principles to thrive.

Senior Zoë Rossman spent five months working in the African Elephant Research Unit in South Africa's Knysna Forest, recording observations on elephant behavior — including the elephant pictured here — for a conservation project.

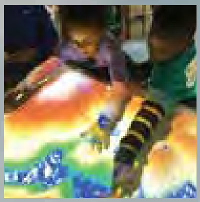
The world benefits from our interdisciplinary collaborations, problem solving and innovations. So do our students. We're reimagining the traditional classroom learning experience, increasing leadership opportunities and investing in initiatives that address education equity. Students develop as engaged, global citizens who will improve their communities and beyond.

Reimagining th

Student interns at the Arboretum and Public Garden's Learning by Leading program help the public support a healthier, sustainable world.

UC Davis advances efforts to address educational disparities with the Center for Restorative Justice, established by alumna Maisha T. Winn and Lawrence Winn in the School of Education.

Student team Aggie Sol built and designed a zero-net energy home for farmworkers, scoring first for affordability at the U.S. Department of Energy's 2015 Solar Decathlon.



UC Davis created an augmented reality sandbox that middle school students use to learn about earth and watershed sciences.

Best practices for student achievement topped the agenda at the White House Summit on Educational Excellence for African Americans, hosted by UC Davis.

The Center for Educational Effective-ness promotes online and hybrid courses, interactive classrooms and cross-campus teaching communities to improve student learning, retention and graduation rates.

eclassroom

(Zoë Rossman/Zoë Tierra Photography)

Scientists uncovered how anti-inflammatory drugs like ibuprofen lead to toxic buildup of cardiac cells, and why taking vitamin C supplements can help reduce the risk.

Research to in

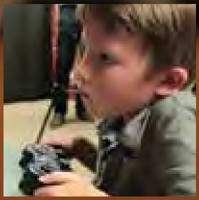
From life-saving cancer treatments to clean energy breakthroughs, research and innovation from UC Davis improves everyday life in California communities and around the world. We solve problems through an integrated approach in which engineers, scientists, researchers and healthcare practitioners collaborate to spur bold and creative solutions. While the betterment of people's lives is the inspiration for our work, the economic benefits to society are equally important. Our innovations consistently lead to cutting-edge products, high-value jobs and startups.

novation

UC Davis produced 14 startup companies, 230 records of invention and more than $13M in licensing revenue in 2015–16.

Gene therapy treatment developed at UC Davis shows benefits to brain cells for Alzheimer's patients.

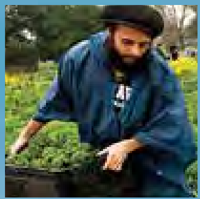
A team of biomedical engineering students debuted a portable, durable device for assessing blood clotting in trauma patients on the battlefield.



Researchers created a video game therapy for children with cognitive impairments from genetic disorders.

Researchers are working to develop a lighter, smaller telescope to advance space exploration.

On-farm flooding in winter may be a viable solution to replenish groundwater and fight drought, based on successful early experiments by UC Davis hydrologists and growers.



Student farm volunteers address food insecurity with a gleaning program, delivering thousands of pounds of fresh produce to the campus pantry and local food banks.

Grape, almond and walnut growers save water and improve crop quality and yield using a wireless plant sensor with technology developed at UC Davis.

Of the nation's 24 Feed the Future Innovation Labs — a key strategy of the Global Food Security Act of 2016 — five are led by UC Davis researchers, the most of any university.

UC Davis is providing genomic data on traditional African crops to help plant breeders fight malnutrition and poverty.

Growing

As the No. 1 agricultural university in the nation, UC Davis intimately understands how food touches every living thing and what's at stake if we don't answer its challenges. Our research, innovations in ag technology and partnerships in California and around the globe — with small farmers, industry and policymakers — are helping ensure the availability and sustainability of healthy, safe food for all. In underserved communities in the United States and in developing nations, our tools and knowledge help people gain empowerment, independence and choice.

abetterfuture

New disease-resistance testing, genetic tools and education at the Public Strawberry Breeding Program protect the quality and sustainability of California strawberries.

Creating a he

Our cross-discipline, collaborative approach to research and solving critical public health issues means we can prevent, assess, treat and heal earlier and better every day. Whether we're developing innovative techniques in fetal surgery, partnering with veterinary medicine colleagues to find effective stem cell treatments for sports injuries or sharing our expertise on the Zika virus in public forums, we're improving lives and transforming health care.

UC Davis Children's Surgery Center is one of only four level I centers in the nation — offering hope to families by delivering time-sensitive care and treatment.

althierworld

A new UC Davis program aims to expand diversity in medicine and advance Latino health.

Millions with chronic pain could benefit from the discovery that endoplasmic reticulum stress is the significant driver of neuropathic pain.

Researchers discovered that gut microbes and sugar compounds found in milk can tackle childhood malnutrition and help promote growth.

Scientists launched a research project intended to help develop safe vaccines and treatments for Zika infections.

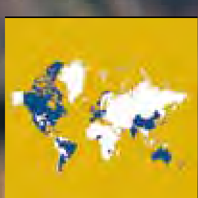
The new Center for Advancing Pain Relief, led by Dr. Scott Fishman, leverages scholars and scientists across disciplines to improve quality of life for chronic pain sufferers.

Rhesus macaques from Nepal are being studied for a noninvasive technique to capture DNA samples using strawberry jam on pieces of rope. This provides surveillance for diseases that might jump from monkeys to humans.

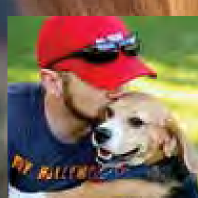
Onehealth

As the world leader in veterinary science, the UC Davis School of Veterinary Medicine sets the bar for education, patient care and scientific discoveries to benefit animals and humans. Increasingly aware of the One Health link between all living things, veterinary students are trained to provide excellent care for animals while recognizing the connections to human and environmental health. Faculty work together in multidisciplinary teams, dedicated to providing innovative solutions through clinical and scientific breakthroughs.

forall

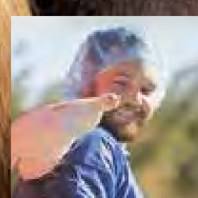


Since 2010, veterinarians from around the world — 19 countries on six continents — have sought training from our veterinary hospital.



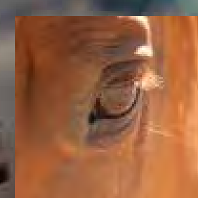
The Comparative Oncology Program links specialists and researchers in human and animal cancer.

A study of calves offers hope of respiratory disease treatment for premature infants, elderly individuals and adults with compromised immune systems.



The Pastured Poultry Farm on campus provides a living laboratory where students and researchers will address issues like predator control and food safety.

UC Davis' new portable PET scanner is the first of its kind to image horses.

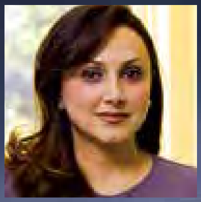


UC Davis equine ophthalmologists treated and returned event horse Chatwin to championship competition following a corneal laceration.

The Mellon Public Scholars Program supports community-engaged scholarship and professional development for graduate students in the arts, humanities and social sciences.

Art studio TB 9, a creative refuge for Robert Arneson, Wayne Thiebaud and other young faculty in the ’60s, was added to the National Register of Historic Places.

UC Davis is one of five research universities in the U.S. participating in Pathways to the Professoriate, a new program to increase the number of Latino professors in the humanities.



A $1.5M gift by Silicon Valley philanthropist and humanitarian Bita Daryabari established a new presidential chair in Persian language and literature.

UC Davis will be the new home of Imagining America, a civic engagement consortium that connects scholars and community members interested in the arts, humanities and design.

We enrich a

Tea will join wine, coffee and beer on UC Davis' shelf of beverage expertise with the launch of the Global Tea Initiative to study tea culture and science.

Creative arts, cultural diversity, performance, writing and public scholarship: These form the core of our humanities disciplines and reflect our strength in the liberal arts. We offer nationally ranked programs that inspire incomparable work and distinct collaborations across divisions, campus and the globe. We are proud to bring the best and brightest together to create new ideas, new work and inspired solutions.

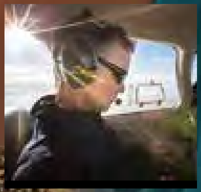
ndimprovelife

Energizing environ

Our history and civic responsibility as a land-grant university makes us especially mindful of the natural resources we are called to steward. We "walk the talk" by serving as a model for sustainable practices, teaching world-class environmental science programs and embracing the idea of our campus as a laboratory of innovation. Our active involvement in taking care of the planet empowers young leaders to take their knowledge and experience back to their communities. With 180 courses emphasizing sustainability, UC Davis fosters the next generation of leaders and their discoveries who will transform our world's energy resources, transportation choices, food reliability and environmental sciences.

Young African leaders are better equipped to tackle their continent's energy challenges after participating in a six-week energy seminar at UC Davis.

mentalleadership



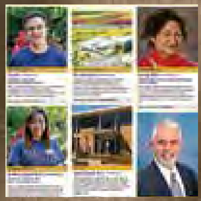
Federal agencies use UC Davis, a leader in sustainable solutions, to monitor air quality.

Powered by 23 percent renewable, carbon-free electricity, the main UC Davis campus has saved $16M from efficiency investments — like the solar farm pictured above — since 2009.

Roughly a quarter of the fish sampled from fish markets in California and Indonesia contained trash in their guts, according to a UC Davis study.

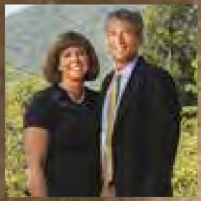
UC Davis scientists discovered a way to conserve water in winemaking — reducing 6 gallons of water to 1, to produce 1 gallon of wine.

UC Davis researchers discovered that rat poison used on illegal marijuana grow sites are killing rare forest mammals in Central and Northern California.



The university's “______ *By Philanthropy*” campaign demonstrated our donors' impact across campus.

The UC Davis Health System received $38.5M in gifts and pledges from Ernest E. Tschannen to support the UC Davis Eye Center and the Center for Vision Science, making him the largest individual donor to UC Davis.



Alumni Michael Hurlston '88, M.B.A. '90, M.S. '91, and Joelle Hurlston '89 made a $1.5M commitment to establish a multicollege endowed presidential chair, matched by the UC Office of the President.

The Koret Foundation granted $1M to create Transfer STEP, a program to facilitate community college student transition to UC Davis and other UC campuses.

Bestg

Professor emeritus and legendary painter Wayne Thiebaud donated paintings for display in the new Jan Shrem and Maria Manetti Shrem Museum of Art.

Thanks to the commitment of our supporters, UC Davis raised a record-breaking $226 million, the largest donation total raised in a single fiscal year in the university's 108-year history. Private gifts and grants helped fund a variety of programs that contribute to fulfilling the university mission, including student scholarships, capital projects and scientific research. The UC Davis Foundation endowment also saw better-than-industry-average performance, according to the most recent report from the National Association of College and University Business Officers.

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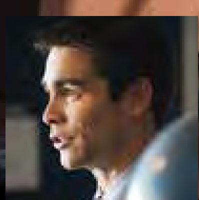
Se

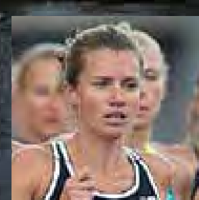


Kevin Blue joined UC Davis as the athletics director and promptly outlined and pursued new indicators of success.

For the fourth year in a row, the football team had the highest Academic Progress Rate in its conference, and men's cross country and women's water polo, tennis and golf all had perfect scores.

(© 2016 Greg Rodgers)

The community remembered legendary football coach Jim Sochor after his passing in November. He led with an "Aggie Pride" philosophy that resulted in 37 consecutive winning seasons.



In the Rio Olympics, Aggies Kim Conley (5,000-meter run) and Seth Weil (rowing) represented the United States.

UC Davis celebrated alumnus Colby "Babe" Slater, team captain of the 1924 Olympics' last rugby championship team before the sport's return in 2016.

ttingthepace

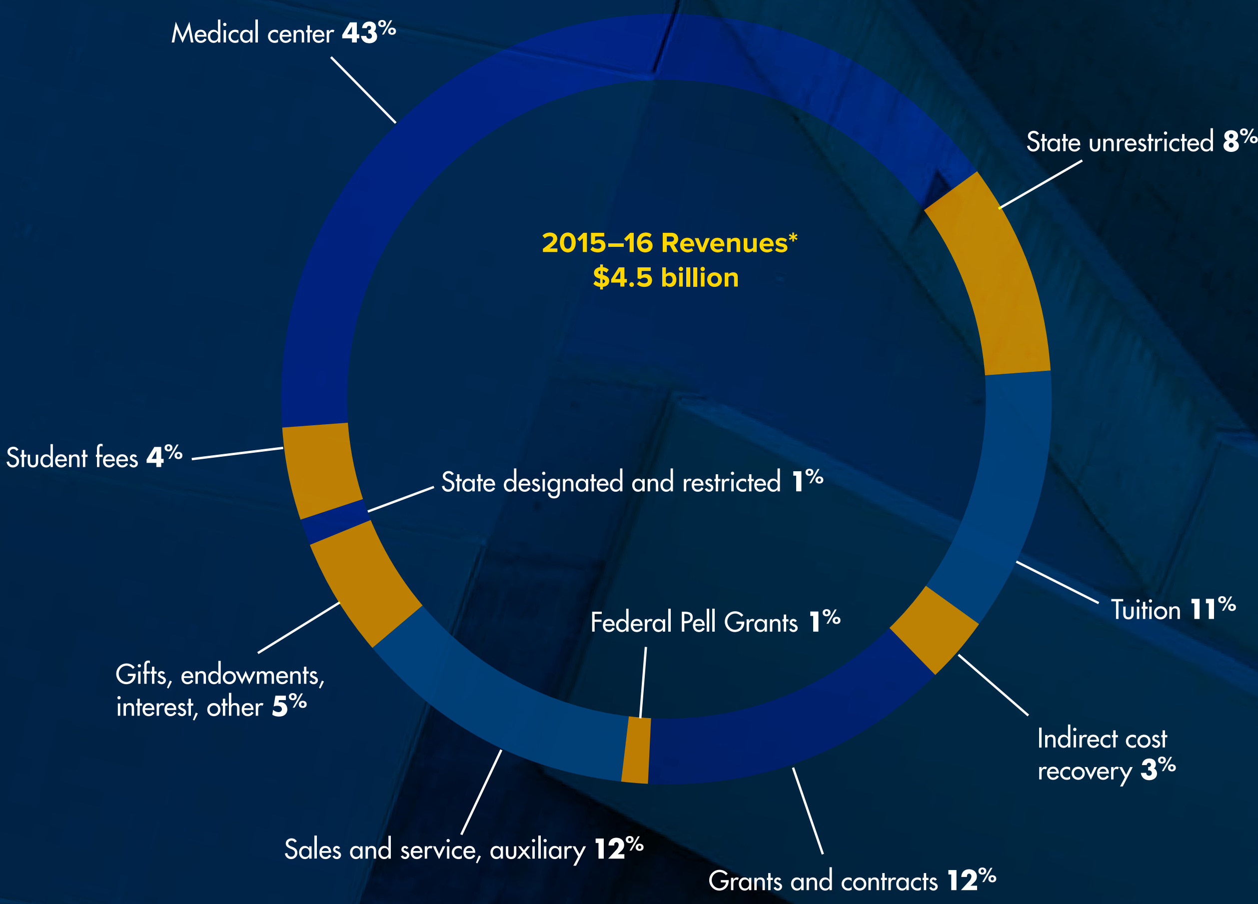
Leaders in competition and the classroom, UC Davis student-athletes set the pace for academic excellence, leadership, persistence and teamwork. They seek out wins in the community, too, organizing food and toy drives, participating in elementary school reading programs and visiting the Shriners Hospital for Children. Upon graduation, these campus ambassadors apply their talent, skill and tenacity to making the world a better place. As if we needed another reason to be proud.

Women's track and field won its fourth Big West title in the past five years. Men's water polo and women's swimming and diving also finished first in their conferences.

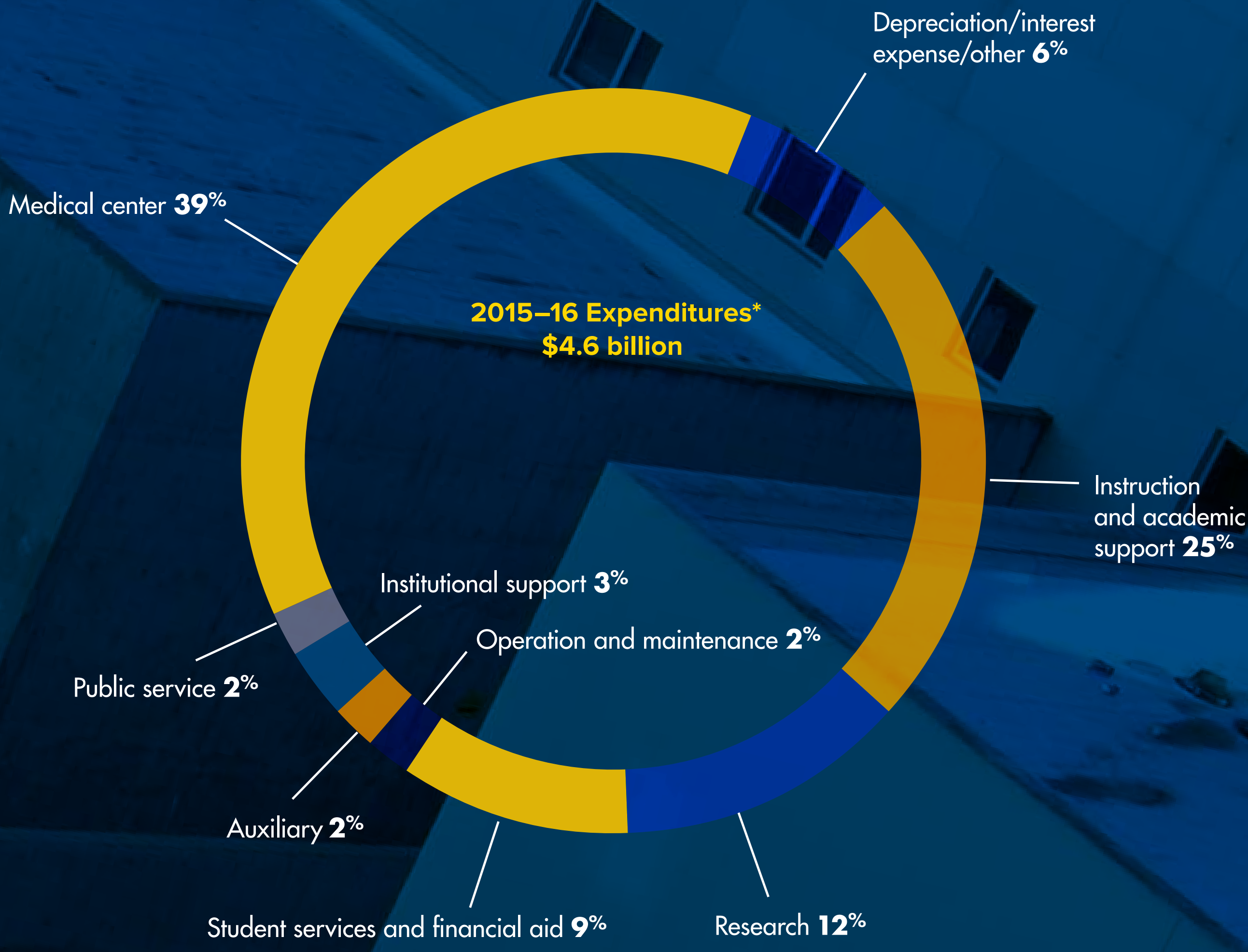
Financials at a glance

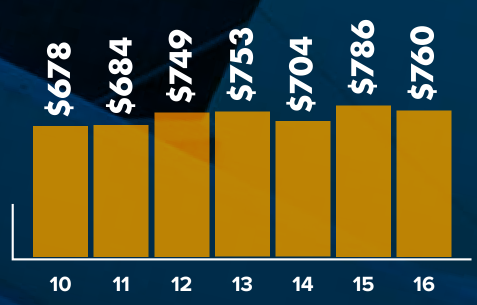
2015–16 Revenues* and Expenditures

UC Davis revenues come from many sources and approximately 80 percent are designated or restricted. For example, dollars related to specific purposes — such as most funding for research support, medical center revenues and proceeds from auxiliary services such as housing — must support only those operations. The primary source for the campus's teaching mission comes from unrestricted state funds and student tuition.

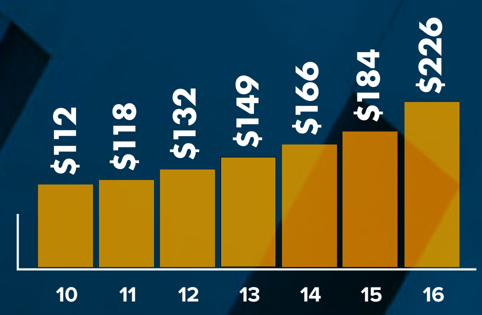


*Amounts shown are not reduced by scholarship allowance.





Extramural Research Funding
FY 2010–16 (millions)



Philanthropy
FY 2010–16 (millions)

**Expenditures include $141 million of actuarial pension costs.*

2016financial

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, 2016, with selected comparative information for the year ended June 30, 2015. 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.

report

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. 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 Lake Tahoe Center for Environmental Research, the Veterinary Medicine Teaching and Research Center in Tulare, Bodega Marine Laboratory at Bodega Bay, the College of Engineering's applied science department at Livermore and the UC Davis Washington Center in Washington, D.C.

UC Davis Net Financial Position

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.

Financial statement balances for 2015 have been restated as a result of new information that was identified during the preparation of the 2016 financial statements. These restatements affect only the stand-alone UC Davis financial statements and do not in any way impact the audited consolidated financial statements of the University of California. The adjustments recorded to correct the 2015 balances are a result of properly capturing the UC Davis portion of the transactions and records maintained by the Office of the President.

At June 30, 2016, UC Davis' assets were nearly $6.2 billion, deferred outflows of resources were $780 million, liabilities were $5.2 billion, and deferred inflows of resources were $273 million, decreasing the Campus' net position by $161 million in 2016 to $1.4 billion.

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

(in millions of dollars)

	2016	RESTATED 2015	CHANGE
ASSETS			
Cash and investments	$2,225	$2,269	($44)
Accounts receivable, net	496	453	43
Capital assets, net	3,225	3,161	64
Other assets	206	198	8
TOTAL ASSETS	**6,152**	**6,081**	**71**
DEFERRED OUTFLOWS OF RESOURCES	**780**	**524**	**256**
LIABILITIES			
Debt	1,642	1,606	36
Pension related obligations	2,632	1,938	694
Other liabilities	949	920	29
TOTAL LIABILITIES	**5,223**	**4,464**	**759**
DEFERRED INFLOWS OF RESOURCES	**273**	**544**	**(271)**
NET POSITION			
Net investment in capital assets	1,641	1,628	13
Restricted: nonexpendable	120	118	2
Restricted: expendable	669	672	(3)
Unrestricted	(994)	(821)	(173)
TOTAL NET POSITION	**$1,436**	**$1,597**	**($161)**

UC Davis Assets and Deferred Outflows of Resources

UC Davis' total assets grew by $71 million in 2016 to just under $6.2 billion. Capital assets increased due to continued reinvestment in facilities and investments decreased due to poor market returns.

Campus 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 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, 2016 and 2015 are as follows:

(shown as a percentage)

	2016	2015
GEP	(3.4)	7.2
STIP	1.3	1.4
TRIP	0.3	2.6

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 $43 million from $453 million in 2015 to $496 million in 2016. Receivables fluctuate based on the timing of collections. State and federal grants and contracts receivables increased by $16 million, medical center receivables increased by $29 million, while other receivables, including educational activities and local and private grants and contracts, decreased by $2 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 original cost of capital assets was $225 million in 2016, consisting of capital expenditures of $296 million offset by $71 million of capital assets disposed of during the year in the normal course of doing business. Capital expenditures in 2015 were $228 million and disposals were $90 million. During 2016, capitalized costs for completed construction projects were $130 million. The largest capitalized projects were the South Valley Animal Health Lab for $45 million and the International Complex for $26 million. Projects under construction, net of the cost of those projects completed and reclassified during 2016 to buildings and improvements or equipment, totaled $222 million.

Accumulated depreciation and amortization increased from $2.9 billion in 2015 to $3.1 billion in 2016. Depreciation and amortization expense for the year was $221 million and the accumulated depreciation on assets sold or disposed of during the year was $59 million. Generally, all of the disposals were for equipment that was fully depreciated or had reached the end of its useful life. In 2015, an out of period adjustment was recorded for $36 million to the medical center accumulated depreciation due to differences in useful lives used by the Campus for certain medical center buildings. Management believes the out of period adjustment is not material to previously reported financial statements on a consolidated University of California basis.

Other assets include deferred charges, pledges receivable, notes and mortgages receivable, investments in joint ventures and inventories and totaled $206 million and $198 million for 2016 and 2015, respectively.

Losses on debt refundings and certain changes in the net pension liability and are reported as deferred outflows of resources. The increase of $256 million in deferred outflows of resources in 2016 is due to lower than expected investment returns in the University of California Retirement Plan (“UCRP”) portfolio.

UC Davis Liabilities and Deferred Inflows of Resources

In 2016, UC Davis’ total liabilities and deferred inflows of resources increased by $488 million to $5.5 billion in 2016. The increase in 2016 was primarily related to the increase in net pension liability and pension payable to the University.

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 $36 million in 2016 to $1.6 billion, with a $21 million increase in commercial paper and an increase in bonds of $15 million.

In 2016, the Campus began reporting its full allocation of bond premiums and deferred financing costs. In addition, the Campus reclassified $89 million of variable-rate general revenue bonds to current liabilities due to the bonds’ put option. As a result of these changes made to the 2016 financial statement presentation, UC Davis’s statements of net position as of June 30, 2015, and statements of revenues, expenses and changes in net position for the year ended June 30, 2015, were restated. Additional information about the restatement is provided in the Summary of Significant Accounting Policies within the footnotes to the financial statements.

In 2016, General Revenue Bonds totaling $813 million and Limited Project Revenue Bonds totaling $532 million were issued to finance and refinance certain facilities and projects of the University, of which $93 million is UC Davis' obligation, and also included one-time principal payments of $14 million for the refinancing of previously outstanding debt. In August 2016, subsequent to year-end, Medical Center Pooled Revenue Bonds totaling $1 billion were issued, of which $391 million is UC Davis' obligation, and also included one-time principal payments of $265 million for the refinancing of previously outstanding debt.

In 2015, General Revenue Bonds totaling $1.7 billion and Limited Project Revenue Bonds totaling $1.7 billion were issued to finance and refinance certain facilities and projects of the University, of which $409 million is UC Davis' obligation, and also included one-time principal payments of $211 million for the refinancing of previously outstanding debt. The General Revenue Bonds issued included $90 million of bonds maturing in 2115 to finance capital projects of the University or for such other purposes as authorized by the Regents.

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. Commercial paper borrowings increased $21 million in 2016 from $28 million in 2015 to $49 million in 2016 primarily due to new funding of $76 million offset by transfers out of interim financing to permanent funding of $55 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 $2.6 billion and $1.9 billion in 2016 and 2015, respectively. The increase in net pension liability is primarily driven by lower than expected investment returns on the UCRP investment portfolio. UCRP's total investment rate of return was negative 2.0 percent in 2016 and positive 4.5 percent in 2015. The discount rate used to estimate the net pension liability was 7.25 percent in both 2016 and 2015.

The University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense.

The University funds the retiree health expense through the University of California Retiree Health Benefit Trust (“UCRHBT”) based upon a projection of benefits on a pay-as-you-go basis. The increases of $1.1 billion and $950 million in 2016 and 2015, respectively, in the obligation for retiree health benefits is due to the impact of amortizing the University’s unfunded obligation. The unfunded liability for the campuses and medical centers as of the July 1, 2015 actuarial valuation was $17.3 billion. At June 30, 2016 and 2015, no retiree health benefit obligations have been recorded on the Campus financial statements.

Other liabilities, including accounts payable, accrued salaries and benefits, unearned revenue, pollution remediation and refundable federal loans increased from $920 million in 2015 to $949 million in 2016. 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 liability. Deferred inflows of resources in 2016 decreased by $271 million due to lower than expected returns on the UCRP investment portfolio.

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. UC Davis’ net position at the end of 2016 was $1.4 billion, decreasing by $161 million from 2015. 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 $13 million from $1,628 million in 2015 to $1,641 million in 2016 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 value of charitable remainder trusts. UC Davis endowments and other restricted nonexpendable net position increased by $2 million from $118 million in 2015 to $120 million in 2016 principally due to the receipt of new gifts.

Restricted expendable net position of $669 million, at June 30, 2016, 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, 2016, the Campus' unrestricted net position is a deficit. The increase in the deficit from 2015 to 2016 is primarily due to increases in the Campus' net pension liability and pension payable to the University obligations.

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. Summarized on the next page are the operating results for 2016 and 2015, blending the GASB reporting requirements and UC Davis' view of core operations:

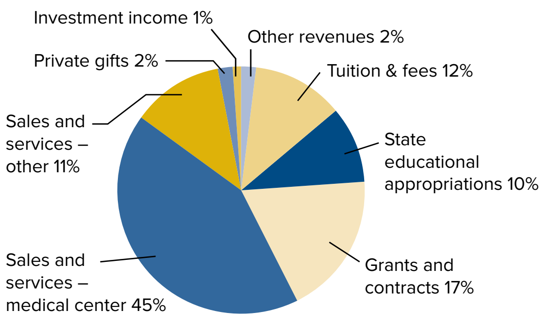
OPERATING RESULTS FOR 2016 AND 2015

(in millions of dollars)

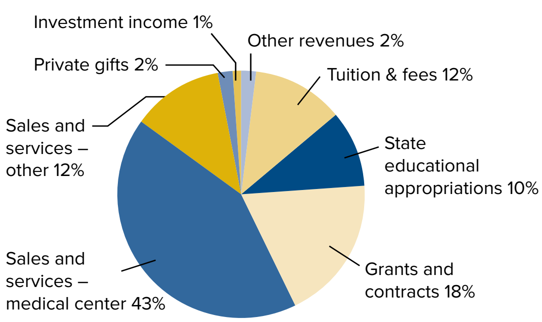
	YEAR ENDED JUNE 30, 2016			RESTATED YEAR ENDED JUNE 30, 2015			
	OPERATING	NON OPERATING	TOTAL	OPERATING	NON OPERATING	TOTAL	CHANGE
REVENUES							
Student tuition and fees, net	$527		$527	$499		$499	$28
State educational appropriations		$412	412		$391	391	21
Grants and contracts, net	693	52	745	657	52	709	36
Sales and services:							
Medical center, net	1,935		1,935	1,724		1,724	211
Other, net	498		498	495		495	3
Private gifts		74	74		64	64	10
Investment income, net		46	46		55	55	(9)
Other revenues, net	93	11	104	84	16	100	4
REVENUES SUPPORTING CORE ACTIVITIES	**3,746**	**595**	**4,341**	**3,459**	**578**	**4,037**	**304**
EXPENSES							
Salaries and wages	2,046		2,046	1,932		1,932	114
Pension benefits	420		420	245		245	175
Health insurance benefits	262		262	253		253	9
Other employee benefits	251		251	236		236	15
Scholarships and fellowships	89		89	86		86	3
Utilities	35		35	37		37	(2)
Supplies and materials	458		458	424		424	34
Depreciation and amortization	221		221	196		196	25
Interest expense		65	65		69	69	(4)
Other expenses	622	8	630	537	6	543	87
EXPENSES ASSOCIATED WITH CORE ACTIVITIES	**4,404**	**73**	**4,477**	**3,946**	**75**	**4,021**	**456**
INCOME (LOSS) FROM CORE ACTIVITIES	**($658)**	**$522**	**($136)**	**($487)**	**$503**	**$16**	**($152)**
OTHER NONOPERATING ACTIVITIES							
Net appreciation (depreciation) in fair value of investments			(54)			19	(73)
INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION			**(190)**			**35**	**(225)**
OTHER CHANGES IN NET POSITION							
State capital appropriations						1	(1)
Capital gifts and grants			10			3	7
Permanent endowments			2			3	(1)
Other changes in net position			17			7	10
INCREASE (DECREASE) IN NET POSITION			**(161)**			**49**	**(210)**
NET POSITION							
Beginning of year, as previously stated			1,597			1,565	32
Cumulative effect of restatements						(17)	17
BEGINNING OF YEAR, AS RESTATED			**1,597**			**1,548**	**49**
NET POSITION END OF YEAR			**$1,436**			**$1,597**	**($161)**

Revenues Supporting Core Activities

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



The following chart provides a breakdown of revenues supporting core activities for the fiscal year ended June 30, 2015:



Revenues to support UC Davis' core activities of more than $4.3 billion, including those classified as nonoperating revenues, increased by $304 million from 2015 to 2016. 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. Sales and service 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 $499 million in 2015 to $527 million in 2016, an increase of $28 million. These fees are net of scholarship allowances of $139 million in 2016 and $133 million in 2015. The increase in tuition and fee revenue over the past several years has generally resulted from enrollment growth coupled with modest tuition and fee increases in 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 on students with financial need.

In 2016, total enrollment, consisting of undergraduate, graduate and professional students, grew by nearly 2 percent. Mandatory tuition for California residents was not changed in 2016 and 2015. Nonresident supplemental tuition was increased by 8 percent for undergraduate national and international students. Professional degree supplemental tuition varies by discipline and some increases were approved for 2016.

State of California educational appropriations to UC Davis were $412 million in 2016 and $391 million in 2015. The University budget framework agreed to 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 2016 and 2017, with tuition increases generally pegged to the rate of inflation beginning in 2018. The student service fee increased 5 percent in 2016 and each year thereafter, 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 2016 and 2017 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 for the next four years. The framework provided $25 million in one-time funding for deferred maintenance and $96 million in one-time funds for UCRP in 2016.

Revenue from federal, state, private and local grants and contracts increased by $36 million to $745 million in 2016 from $709 million in 2015. Federal grant and contract revenue, including facilities and administration cost recovery of $89 million and direct expenditures of $354 million, increased by $20 million to $443 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, $200 million; the Department of Education, $62 million; the National Science Foundation, $52 million; and the Department of Agriculture, $34 million. State grants (including special research appropriations) increased $16 million, or 13 percent, to $147 million in 2016. The growth in revenue is primarily attributed to $12 million in additional awards from the California Department of Food and Agriculture, of which $9 million was for the South Valley Animal Health Laboratory in Tulare and $2 million in special state appropriations for the Behavioral Health Center of Excellence. Private and local contracts and grants decreased by $1 million primarily due to non-recurring funds received from the City of Davis in 2015 to support the Unitrans Modernization Project.

Revenue from the UC Davis Medical Center, educational activities and auxiliary enterprises of $2.4 billion increased by $214 million, or 10 percent, from 2015. UC Davis Medical Center revenue increased by $211 million over the prior year to over $1.9 billion in 2016. The revenue growth is primarily due to higher inpatient utilization, as well as acuity of patients. Revenue from educational activities, primarily medical professional fees and auxiliary enterprises, net of related allowances, increased by $3 million or 1 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 $64 million in 2015 to $74 million in 2016. The increase was primarily related to new gifts including: $2 million for the Veterinary Medical Center Construction fund, $1 million for the Ann E. Pitzer Center, $1 million for the School of Medicine Violence Prevention Program, and $1 million to the School of Veterinary Medicine's Mark and Lynne Benioff fund for oncology research. Also contributing to the increase was an additional $1 million in endowment income from the UC Davis Foundation.

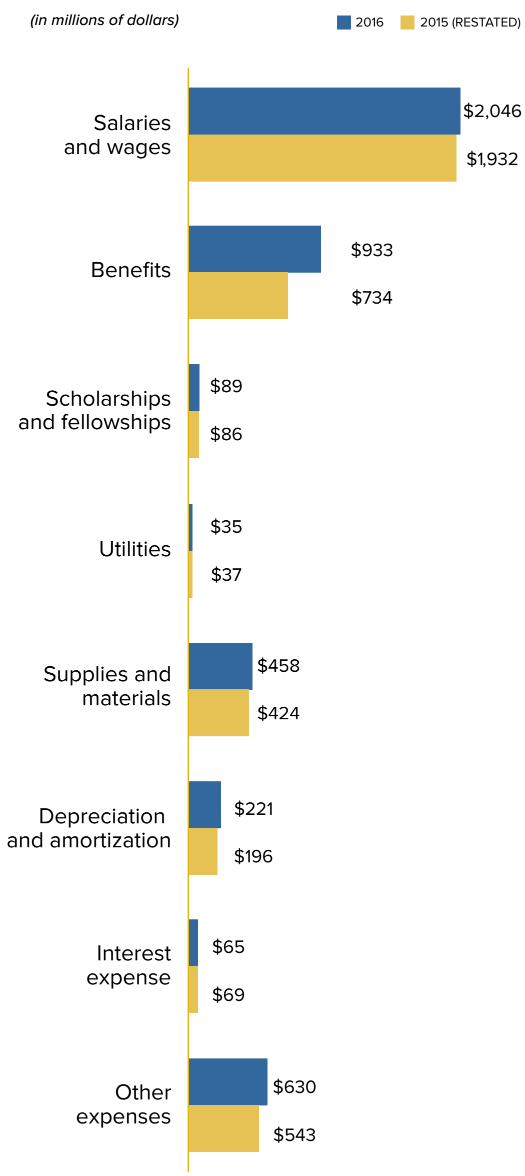
Investment income for the year of $46 million consisted of $7 million from the University of California's Short Term Investment Pool ("STIP"), $21 million from the University of California's Total Return Investment Pool ("TRIP") and $18 million from endowments. Investment income in 2015 totaled $55 million consisting of $8 million from STIP, $29 million from TRIP and $18 million from endowments. The decrease in investment income is primarily related to lower realized gains on the sale of investments in 2016 as compared to 2015 due to weaker market conditions.

Other revenues for 2016 of $104 million included $2 million in federal interest subsidies and $9 million of other revenues that are reported as nonoperating revenue and $93 million of other revenue reported as operating revenue. Other operating revenues grew $9 million, or 11 percent, to $93 million in 2016. The growth is primarily due to higher intercampus revenue of $5 million and increased enrollment in the student health insurance plans.

Expenses Associated with Core Activities

The following chart provides a breakdown of expenses associated with core activities for the fiscal years ended June 30, 2016 and 2015.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES



UC Davis' expenses associated with core activities for 2016, including those classified as nonoperating expenses, were $4.5 billion in 2016 and $4.0 billion in 2015. Approximately 67 percent UC Davis' expenses are related to salaries and benefits for over 23,000 full time equivalent employees of UC Davis.

Salaries and wages increased $114 million or 6 percent in 2016. 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 benefits, increased by 5 percent in 2016 due to higher health insurance costs. Pension expense increased by $175 million or 71 percent due to lower than expected investment returns.

The Campus places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships representing payments of financial aid made directly to students and reported as operating expenses were $89 million in 2016, an increase of $3 million, or 3 percent, from 2015. Scholarship allowances, representing financial aid and fee waivers awarded by UC Davis, also forms of financial aid, increased from $168 million in 2015 to $175 million in 2016, an increase of $7 million. On a combined basis, total reported financial aid to students grew from $254 million in 2015 to $264 million in 2016, an increase of $10 million or 4 percent. In 2016, management detected a classification error between Scholarship Allowances and Scholarship and Fellowships expense and the prior year financial statements reflected herein have been corrected to present the appropriate classification. As this was a reclassification between financial statement line items, there was no effect on previously reported net income. Management believes the prior year classification error is not material to previously reported consolidated University of California financial statements.

During 2016, supplies and materials costs increased $34 million, from $424 million in 2015 to $458 million in 2016. 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 expanded research activity and increased medical patient volumes. The Campus continues to find opportunities to manage the costs of supplies and materials.

Other operating expenses increased by $85 million, from $537 million in 2015 to $622 million in 2016. The increase is primarily due to increases in contract and grant sub-awards, temporary labor costs for the medical center and repairs and maintenance. Other nonoperating expenses, representing the loss on disposal of capital assets, were $8 million in 2016 and $6 million in 2015.

In accordance with the GASB reporting standards, operating losses were $658 million in 2016 and $487 million in 2015. The operating losses were offset by $522 million and $503 million of net nonoperating revenues in 2016 and 2015, 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. Therefore, revenues to support core activities exceeded the associated expenses by $16 million in 2015, while expenses to support core activities exceeded the associated revenues by $136 million in 2016.

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 2016, UC Davis recognized net depreciation in the fair value of investments of $54 million compared to net appreciation of $19 million in 2015. The Campus' portfolio experienced declines in 2016 principally due to declines in the equity markets, as compared to a positive performance in previous years due to returns in both the equity and bond markets.

Other Changes in Net Position

Other changes in net position are generally not available to support the Campus' operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Capital appropriations are from bond measures approved by California voters.

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. This section includes the cash received and spent 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. This section summarizes the 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 2016 and 2015 is as follows:

UC Davis' cash decreased by $136 million from $766 million in 2015 to $630 million in 2016. Substantially all of UC Davis' cash is invested in STIP managed by the Chief Investment Officer of the Regents and considered demand deposits. The decrease in cash was primarily the result of the Campus' election to invest $160 million into TRIP, offset by an increase in medical center cash of $55 million.

Cash of $295 million was used for operating activities, offset by $570 million in cash provided by noncapital financing activities. Noncapital financing activities, as defined by the GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operating activities.

Cash used in capital and related financing activities totaled $309 million in 2016, primarily the result of capital assets acquired during the year and principal and interest paid on debt and capital leases, partially offset by state capital and financing appropriations and gifts for capital purposes. Cash used in investing activities totaled $102 million in 2016. The cash expended for investing activities included net investment income of $45 million offset by purchases of investments exceeding proceeds by $147 million.

(in millions of dollars)

	2016	RESTATED 2015	CHANGE
CASH PROVIDED BY (USED IN):			
Operating activities	($295)	($197)	($98)
Noncapital financing activities	570	530	40
Capital and related financing activities	(309)	(179)	(130)
Investing activities	(102)	34	(136)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(136)**	**188**	**(324)**
Cash and cash equivalents, beginning of the year	766	578	188
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$630**	**$766**	**($136)**

Looking Forward

The University 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 4 percent annually over the next three years, through 2019. The framework also called for no tuition increases in 2016 and 2017, with tuition increases generally pegged to the rate of inflation beginning in 2018. The Student Services Fee increased 5 percent in 2016 and will each year thereafter 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 acknowledges the University's plan to increase nonresident supplemental tuition by up to 8 percent in 2016 and 2017 and 5 percent each year thereafter. The framework also recognizes the increases in professional degree supplemental tuition approved by the Regents in November 2014 for existing and new programs and calls for no increases in law school tuition through 2019. In addition to these funding elements, the budget framework includes a number of performance-related provisions.

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. The Campus is a unique national resource for helping the nation address competitiveness and economic initiatives.

Effective July 1, 2016, UCRP was amended to provide a new tier of pension benefits applicable to eligible employees hired (or becoming eligible), on or after July 1, 2016. The new tier would provide future UC employees a choice between two retirement benefits options (1) the current UCRP pension benefit capped at the California Public Employees' Pension Reform Act (PEPRA) salary limit (currently $117,020) plus a supplemental contribution for eligible employees to a defined contribution plan on pay up to the Internal Revenue Service limit (currently $265,000); or (2) a defined contribution benefit option for eligible employee pay up to the Internal Revenue Service limit (currently $265,000). Under the budget framework, the University will receive $438 million in one-time funds for UCRP as a result of making these benefit changes. The funds are being paid over three years, $96 million was received in 2016, and $171 million each year in 2017 and 2018.

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for the University campuses and medical centers as of the July 1, 2016 actuarial valuation was $21 billion based upon using a discount rate of 2.85 percent. The University's retiree health benefit obligations reported in its financial statements are expected to increase as a result of new accounting pronouncements that will be effective in the future.

Although the medical center demonstrated positive operating margins in 2016, 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 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, 2016 AND 2015

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2016	RESTATED 2015	2016	2015
ASSETS				
Cash and cash equivalents	$629,882	$765,868	$18,097	$20,726
Short term investments	14,364	88,457		
Investments held by trustees	1,663	1,661		
Accounts receivable, net	495,618	453,011		
Pledges receivable, net	2,635	3,312	22,908	5,967
Current portion of notes and mortgages receivable, net	10,233	10,134		
Inventories	37,216	33,858		
Other current assets	62,033	52,498		
CURRENT ASSETS	**1,253,644**	**1,408,799**	**41,005**	**26,693**
Investments	1,576,096	1,409,839	338,123	352,401
Investments held by trustees	3,260	2,826		
Pledges receivable, net	1,244	1,931	9,343	12,932
Notes and mortgages receivable, net	74,294	71,810		
Capital assets, net	3,225,128	3,161,197		
Other noncurrent assets	18,837	24,610		
NONCURRENT ASSETS	**4,898,859**	**4,672,213**	**347,466**	**365,333**
TOTAL ASSETS	**6,152,503**	**6,081,012**	**388,471**	**392,026**
DEFERRED OUTFLOWS OF RESOURCES	**779,548**	**523,900**		
LIABILITIES				
Accounts payable	164,646	141,223		
Accrued salaries and benefits	183,011	207,618		
Unearned revenue	131,605	133,572		
Commercial paper	48,728	27,607		
Current portion of long-term debt	151,991	153,497		
Funds held for others			682	792
Other current liabilities	274,092	247,496		
CURRENT LIABILITIES	**954,073**	**911,013**	**682**	**792**
Refundable federal loans	58,086	57,537		
Obligations under life income agreements			5,205	6,317
Long-term debt	1,441,361	1,425,008		
Net pension liability	2,128,418	1,516,466		
Pension payable to the University	503,269	421,108		
Other noncurrent liabilities	137,935	133,080	339	563
NONCURRENT LIABILITIES	**4,269,069**	**3,553,199**	**5,544**	**6,880**
TOTAL LIABILITIES	**5,223,142**	**4,464,212**	**6,226**	**7,672**
DEFERRED INFLOWS OF RESOURCES	**273,074**	**544,138**		
NET POSITION				
Net investment in capital assets	1,640,537	1,627,841		
Restricted:				
Nonexpendable:				
Endowments and gifts	119,955	117,673	218,394	204,504
Expendable:				
Endowments and gifts	482,296	508,374	161,639	177,588
Other, including loans, capital projects, endowment income, debt service and appropriations	186,590	163,934		
Unrestricted	(993,543)	(821,260)	2,212	2,262
TOTAL NET POSITION	**$1,435,835**	**$1,596,562**	**$382,245**	**$384,354**

See accompanying Notes to Financial Statements.

University of California, Davis

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2016 AND 2015

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2016	RESTATED 2015	2016	2015
OPERATING REVENUES				
Student tuition and fees, net	$526,931	$498,457		
Grants and contracts, net:				
Federal	391,549	370,551		
State	146,606	130,157		
Private	143,188	143,269		
Local	11,516	12,756		
Sales and services:				
Medical center, net	1,935,274	1,723,966		
Educational activities, net	402,167	400,558		
Auxiliary enterprises, net	96,290	94,606		
Campus foundation private gifts			$31,400	$34,951
Other operating revenues, net	93,181	84,336	76	65
TOTAL OPERATING REVENUES	**3,746,702**	**3,458,656**	**31,476**	**35,016**
OPERATING EXPENSES				
Salaries and wages	2,045,962	1,932,395		
Benefits	933,033	733,794		
Scholarships and fellowships	89,308	86,097		
Utilities	35,334	37,172		
Supplies and materials	457,921	424,496		
Depreciation and amortization	220,563	195,669		
Campus foundation grants			33,590	28,819
Other operating expenses	622,168	536,588	270	327
TOTAL OPERATING EXPENSES	**4,404,289**	**3,946,211**	**33,860**	**29,146**
OPERATING INCOME (LOSS)	**(657,587)**	**(487,555)**	**(2,384)**	**5,870**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	412,356	390,857		
State financing appropriations		36		
Build America Bonds federal interest subsidies	1,749	727		
Federal Pell grants	51,621	51,958		
Private gifts	74,314	63,877		
Investment income, net	46,077	54,683	2,475	2,286
Net appreciation (depreciation) in fair value of investments	(54,051)	19,272	(14,673)	14,473
Interest expense	(65,159)	(69,168)		
Loss on disposal of capital assets	(8,089)	(6,126)		
Other nonoperating revenues (expenses)	9,596	15,519		
NET NONOPERATING REVENUES (EXPENSES)	**468,414**	**521,635**	**(12,198)**	**16,759**
INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION	**(189,173)**	**34,080**	**(14,582)**	**22,629**
OTHER CHANGES IN NET POSITION				
State capital appropriations	(51)	564		
Capital gifts and grants	9,519	3,407		
Permanent endowments	2,059	3,186	12,473	12,650
Other changes in net position	16,919	7,189		
OTHER CHANGES IN NET POSITION	**28,446**	**14,346**	**12,473**	**12,650**
INCREASE (DECREASE) IN NET POSITION	**(160,727)**	**48,426**	**(2,109)**	**35,279**
NET POSITION				
Beginning of year, as previously reported	1,596,562	1,565,188	384,354	349,075
Cumulative effect of restatements		(17,052)		
END OF YEAR	**$1,435,835**	**$1,596,562**	**$382,245**	**$384,354**

See accompanying Notes to Financial Statements.

University of California, Davis

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2016	RESTATED 2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$526,562	$501,055		
Grants and contracts	663,516	684,041		
Medical center	1,906,322	1,719,426		
Educational activities	408,917	386,413		
Auxiliary enterprises	96,298	94,938		
Collections of student and employee loans	13,470	12,511		
Campus foundation private gifts			$14,303	$27,281
Payments to employees	(2,055,615)	(1,913,755)		
Payments to suppliers and utilities	(1,034,908)	(918,736)		
Payments for benefits	(761,976)	(710,023)		
Payments for scholarships and fellowships	(89,308)	(86,097)		
Loans issued to students and employees	(15,205)	(15,375)		
Payments to campus and beneficiaries			(33,590)	(28,819)
Other receipts	46,932	48,970	(194)	(242)
NET CASH USED IN OPERATING ACTIVITIES	**(294,995)**	**(196,632)**	**(19,481)**	**(1,780)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	410,784	389,291		
Federal Pell grants	51,558	51,959		
State hospital fee program grants	5,567	4,864		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	2,059	3,186	10,697	8,685
Other private gifts	75,678	64,682		
Other receipts (payments)	24,074	15,822		
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**569,720**	**529,804**	**10,697**	**8,685**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	75,739	31,096		
Payments of principal	(54,618)	(87,009)		
Interest paid	(137)	(314)		
State capital appropriations	(51)	1,376		
State financing appropriations		36		
Build America Bonds federal interest subsidies	1,750	1,740		
Capital gifts and grants	32	320		
Proceeds from debt issuance	93,198	408,781		
Proceeds from the sale of capital assets	1,737	898		
Purchase of capital assets	(284,281)	(189,896)		
Refinancing or prepayment of outstanding debt	(13,765)	(211,150)		
Principal paid on debt and capital leases	(57,759)	(60,822)		
Interest paid on debt and capital leases	(70,468)	(73,963)		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	**(308,623)**	**(178,907)**	**–**	**–**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	32,756,853	4,388,284	17,570	65,366
Purchases of investments	(32,903,502)	(4,409,373)	(13,891)	(72,327)
Investment income, net of investment expenses	44,561	54,683	2,476	2,286
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(102,088)**	**33,594**	**6,155**	**(4,675)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(135,986)**	**187,859**	**(2,629)**	**2,230**
Cash and cash equivalents, beginning of year	765,868	578,009	20,726	18,496
CASH AND CASH EQUIVALENTS, END OF YEAR	**$629,882**	**$765,868**	**$18,097**	**$20,726**

University of California, Davis

STATEMENTS OF CASH FLOWS *CONTINUED*

YEARS ENDED JUNE 30, 2016 AND 2015

(in thousands of dollars)

	UC DAVIS		UC DAVIS FOUNDATION	
	2016	RESTATED 2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES				
Operating income (loss)	($657,587)	($487,555)	($2,384)	$5,870
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation and amortization expense	220,563	195,669		
Loss on impairment of capital assets	1,742	1,081		
Noncash gifts			(3,744)	(5,992)
Allowance for doubtful accounts	(16,702)	(8,360)	375	(384)
Changes in assets and liabilities:				
Receivables, net	(25,338)	18,748	(13,732)	(1,288)
Investments held by trustees	(2)	1		
Inventories	(3,358)	(1,427)		
Deferred charges	(8,261)	(7,389)		
Other assets	4,499	(3,941)		14
Accounts payable	21,228	(3,303)	4	
Accrued salaries and benefits	(24,607)	12,478		
Unearned revenue	(1,967)	(4,907)		
Pension obligations	81,195	(85,881)		
Other liabilities	113,600	178,154		
NET CASH USED IN OPERATING ACTIVITIES	**($294,995)**	**($196,632)**	**($19,481)**	**($1,780)**
SUPPLEMENTAL NONCASH ACTVITIES INFORMATION				
Capital assets acquired with liability at year-end	$20,666	$21,597		
Capital assets acquired through service concession arrangements		23,680		
Gifts of capital assets	9,487	3,089		
Capital assets acquired through capital leases		456		
Other noncash gifts			$4,571	$9,388

See accompanying Notes to Financial Statements.

University of California, Davis

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 and 2015 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.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes standards for accounting and financial reporting for fair value measurements. The Statement requires investments to be measured at fair value and permits the use of net asset value as the fair value when an investment does not have a readily determinable fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Implementation of Statement No. 72 resulted in additional disclosures of investments and other assets reported at fair value within the fair value hierarchy.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes requirements for those pensions and pension plans that were not covered by Statements No. 67 and No. 68, specifically those not administered through a trust meeting specified criteria. Implementation of Statement No. 73 had no impact on the financial statements for the year ended June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the University's fiscal year beginning July 1, 2015. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Implementation of Statement No. 76 had no impact on the financial statements for the year ended June 30, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for the University's fiscal year beginning July 1, 2016. This Statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments that reduce the reporting government's tax revenues. The purpose of this Statement is to increase transparency in regards to tax abatements governments enter into and make the impact of these agreements more apparent to users of the financial statements. Implementation of Statement No. 77 had no impact on the financial statements for the year ended June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External investment Pools and Pool Participants*, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes criteria for external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Implementation of Statement No. 79 had no impact on the financial statements for the year ended June 30, 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units — An Amendment of GASB Statement No. 14*, was adopted by the University during the year ended June 30, 2016. Statement No. 80 amends the blending requirements established in paragraph 53 of amended Statement No. 14, *The Financial Reporting Entity*, for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units — An Amendment of GASB Statement No. 14.* The Children's Hospital & Research Center Oakland ("CHRCO"), combined with its foundation, was previously reported as a discretely presented component unit of the University and with the accounting change became a blended component used unit of the University. The cumulative effect of this accounting change increased the net position at the beginning of the year for the University by $531.5 million and decreased the net position at the beginning of the year for the University's discretely presented component units by the same amount. The adoption of Statement No. 80 did not result in any adjustments to the financial statements of UC Davis.

In April 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the University's fiscal year beginning July 1, 2016. This statement clarifies or amends Statements No. 67, 68 and 73 and specifically addresses the issues of presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. Implementation of Statement No. 82 had no impact on the financial statements of the University.

COMPARATIVE INFORMATION. In connection with the preparation of the June 30, 2016 statement of net position, UC Davis concluded deferred outflows of resources arising from the net difference between projected and actual earnings on pension plan investments should have been netted against deferred inflows of resources as of June 30, 2015. The effect on the prior period's financial statements is not material. However, management elected to make the revisions in classification to the Campus' 2015 presentation to conform to the 2016 presentation. The revision in classification resulted in a decrease in deferred outflows of resources and deferred inflows of resources in the statement of net position by $283.6 million. This revision had no effect to the previously reported assets, liabilities and net position. This revision also had no effect on the statement of revenues, expenses and changes in net position or statement of cash flows.

In 2016, the Campus began reporting its full allocation of bond premiums and deferred financing costs, resulting in a net impact of $17.1 million. In addition, the Campus reclassified $89 million of variable-rate general revenue bonds to current liabilities because of the bonds' put option.

As a result of these changes made to the 2016 financial statement presentation, UC Davis's statement of net position as of June 30, 2015, and statement of revenues, expenses and changes in net position for the year ended June 30, 2015, were restated as follows:

(in thousands of dollars)

	YEAR ENDING JUNE 30, 2015					
	AS PREVIOUSLY REPORTED	**BOND PREMIUM**	**DEFERRED FINANCING COSTS**	**VARIABLE-RATE GENERAL REVENUE BONDS**	**NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PENSION PLAN INVESTMENTS**	**AS RESTATED**
STATEMENT OF NET POSITION						
Deferred outflows of resources	$774,340		$33,145		($283,585)	$523,900
Current portion of long-term debt	61,342	$3,552		$88,603		153,497
Long-term debt	1,466,966	46,645		(88,603)		1,425,008
Deferred inflows of resources	827,723				(283,585)	544,138
Net investment in capital assets	1,644,893	(50,197)	33,145			1,627,841
Total net position	$1,613,614	($50,197)	$33,145			$1,596,562
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Cumulative effect of restatements		(50,197)	33,145			(17,052)
Net position, end of year	$1,613,614	($50,197)	$33,145			$1,596,562

In 2016, management detected a classification error between Scholarship Allowances and Scholarship and Fellowships expense and the prior year financial statements reflected herein have been corrected to present the appropriate classification. As this was a reclassification between financial statement line items, there was no effect on previously reported net income. Management believes the prior year classification error is not material to previously reported consolidated University of California financial statements.

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 2015-2016 annual report of the University.

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 2015-2016 annual report of the University.

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 exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 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 costs of land, library collections, and special collections 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

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, 2016 the investment in joint ventures for the UC Davis Medical Center was $18.8 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, 2016 and 2015 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.

SCHOLARSHIP ALLOWANCES. 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)

	2016	RESTATED 2015
Student tuition and fees	$139,220	$132,982
Auxiliary enterprises	23,501	23,114
Other operating revenues	12,625	11,724
SCHOLARSHIP ALLOWANCES	**$175,346**	**$167,820**

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, 2016, the facilities and administrative cost recovery totaled $127 million; $89 million from federally sponsored programs and $38 million from other sponsors. For the fiscal year ended June 30, 2015, the facilities and administrative cost recovery totaled $120 million; $85 million from federally sponsored programs and $35 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 EXPENSE. The University established the University of California Retiree Health Benefit Trust ("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.

The UCRHBT provides retiree health benefits to retired employees of the Campus. Contributions from the Campus to the UCRHBT are effectively made to a cost-sharing 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. As a result, the Campus' required contributions are recognized as an expense in the statements of revenues, expenses and changes in net position.

The financial records of the UCRHBT are reported within the University's Annual Financial Report.

TRANSACTIONS WITH THE UNIVERSITY AND UNIVERSITY AFFILIATES. 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 2016 and 2015 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 June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the University's fiscal year beginning July 1, 2016. This Statement addresses the financial reports of defined benefit other postemployment benefits ("OPEB") plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires note disclosures and required supplementary information ("RSI") related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Additionally, Statement No. 74 sets forth note disclosure requirements for defined contribution OPEB plans. Statement No. 74 will affect the information presented in the footnotes to the financial statements and required supplementary information for UCRHBT. The University is evaluating the effect that Statement No. 74 will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the University's fiscal year beginning July 1, 2017. 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 benefit liability, less the amount of the UCRHBT's fiduciary net position. The total retiree health benefit 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 benefit liability be included in retiree health benefit expense in the period of change. As of June 30, 2016, the University reported a retiree health benefit obligation of $10.5 billion. Under Statement No. 75, the University's OPEB obligation is expected to increase. The University is evaluating the effect that Statement No. 75 will have on its financial statements.

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*, to exclude pensions provided to employees of state or local government employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The University is evaluating the effect that Statement No. 78 will have on its financial statements.

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.

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, 2016 and 2015, the carrying amount of UC Davis' STIP balance and demand deposits, generally held in nationally recognized banking institutions, was $630 million and $766 million, respectively and bank balances were $625 million and $761 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, 2016 and 2015, the carrying amount of UC Davis' STIP was $626 million and $763 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 supplements STIP by investing in an intermediate-term, higher risk portfolio allocated across equities, fixed-income and liquid alternative strategies, allowing UC Davis to maximize its return on long-term capital. The fair value of UC Davis' investment in TRIP was $913.0 million and $712.3 million at June 30, 2016 and 2015, respectively.

Investments in TRIP are committed for a three-year lock-up period and would therefore not be available to UC Davis until the end of such period. After the lock-up period expires, one calendar quarter notice will be required for any redemptions or withdrawals, which occur on the last business day of each month. Investments into TRIP are subject to certain withdrawal guidelines such as limiting the withdrawals to 10% of the current value of TRIP in any one quarter.

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 of equities, fixed-income securities and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. 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 $663.1 million and $697.5 million at June 30, 2016 and 2015, 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, securities lending and derivative financial instruments can be found in the audited 2015-2016 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, 2016.

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, 2016.

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, 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**
At June 30, 2015						
Accounts receivable	$81,858	$318,250	$38,082	$47,209	$39,389	$524,788
Allowance for uncollectible amounts	(245)	(52,941)	(22)	(18,229)	(340)	(71,777)
ACCOUNTS RECEIVABLE, NET	**$81,613**	**$265,309**	**$38,060**	**$28,980**	**$39,049**	**$453,011**

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)

	2016	2015
Medical center	$96,770	$96,056
Educational activities	10,203	11,752
All other revenues	1,354	627
EXPENSE FOR UNCOLLECTIBLE ACCOUNTS	**$108,327**	**$108,435**

5. Pledges Receivable

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

(in thousands of dollars)

	2016	2015
Total pledges receivable outstanding	$4,460	$5,933
Less: Unamortized discount to present value	(38)	(60)
Allowance for uncollectible pledges	(543)	(630)
TOTAL PLEDGES RECEIVABLE, NET	**3,879**	**5,243**
Less: Current portion of pledges receivable	(2,635)	(3,312)
NONCURRENT PORTION OF PLEDGES RECEIVABLE	**$1,244**	**$1,931**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2016 and thereafter are as follows:

(in thousands of dollars)

Year ending June 30	
2017	$3,099
2018	559
2019	217
2020	169
2021	116
2022-2026	300
TOTAL PAYMENTS ON PLEDGES RECEIVABLE	**$4,460**

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, 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**
At June 30, 2015				
Notes and mortgages receivable	$11,153	$78,061	$137	$78,198
Allowance for uncollectible amounts	(1,019)	(6,388)		(6,388)
NOTES AND MORTGAGES RECEIVABLE, NET	**$10,134**	**$71,673**	**$137**	**$71,810**

7. Capital Assets, Net

UC Davis' capital asset activity for the years ended June 30, 2016 and 2015, is as follows:

(in thousands of dollars)

	2014	ADDITIONS	DISPOSALS	2015	ADDITIONS	DISPOSALS	2016
ORIGINAL COST							
Land	$60,894			$60,894	$65	($860)	$60,099
Infrastructure	196,016	$17,340		213,356	2,470		215,826
Buildings & improvements	4,014,334	50,874	($794)	4,064,414	127,266	(4,724)	4,186,956
Equipment	988,743	63,934	(66,433)	986,244	75,891	(39,073)	1,023,062
Software & intangible assets	98,328	9,287	(22,101)	85,514	4,833	(25,395)	64,952
Libraries & collections	430,871	14,821	(967)	444,725	15,142	(849)	459,018
Special collections	45,548	1,160	(5)	46,703	4,214	(2)	50,915
Construction in progress	85,272	70,658		155,930	66,180		222,110
CAPITAL ASSETS, AT ORIGINAL COST	**$5,920,006**	**$228,074**	**($90,300)**	**$6,057,780**	**$296,061**	**($70,903)**	**$6,282,938**

	2014	DEPRECIATION & AMORTIZATION	DISPOSALS	2015	DEPRECIATION & AMORTIZATION	DISPOSALS	2016
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$89,428	$6,939		$96,367	$7,513		$103,880
Buildings & improvements	1,639,718	94,874	($713)	1,733,879	107,175	($3,107)	1,837,947
Equipment	684,998	67,968	(59,543)	693,423	82,251	(32,456)	743,218
Software & intangible assets	58,203	11,620	(21,020)	48,803	9,200	(22,806)	35,197
Libraries & collections	310,762	14,268	(919)	324,111	14,424	(967)	337,568
ACCUMULATED DEPRECIATION AND AMORTIZATION	**$2,783,109**	**$195,669**	**($82,195)**	**$2,896,583**	**$220,563**	**($59,336)**	**$3,057,810**
CAPITAL ASSETS, NET	**$3,136,897**			**$3,161,197**			**$3,225,128**

Software and intangible assets at June 30, 2016 are comprised of $58 million of software and $7 million of intangible assets. Software and intangible assets at June 30, 2015 are comprised of $79 million of software and $7 million of intangible assets. Accumulated amortization of software at June 30, 2016 and 2015 was $32 million and $46 million, respectively. Accumulated amortization of intangible assets was $3 million at June 30, 2016 and 2015.

Service concession arrangements with an original cost of $70 million are reported as buildings and improvements, with a corresponding $18 million of accumulated depreciation at June 30, 2016. Service concession arrangements with an original cost of $70 million are reported as buildings and improvements, with a corresponding $16 million of accumulated depreciation at June 30, 2015.

During fiscal year 2015, the Campus identified certain medical center buildings that had been over depreciated as a result of differences in useful lives used by the Campus. The Campus recorded an out-of-period adjustment in 2015 to correct this error, resulting in an increase in net capital assets in the statements of net position and a decrease in depreciation expense of $36 million.

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	2016	RESTATED 2015
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:				
General Revenue Bonds				
Fixed Rate	0.5 - 7.6%	2016-2115	$896,535	$862,280
Variable Rate	0.1 - 0.7%	2044-2048	88,603	88,603
Medical Center Pooled Revenue Bonds	4.0 - 5.3%	2016-2047	282,054	300,269
Limited Project Revenue Bonds	0.6 - 6.3%	2016-2046	223,898	219,898
Unamortized bond premium			94,603	88,593
REVENUE BONDS			**1,585,693**	**1,559,643**
Mortgages and other borrowings	Various	2016-2018	7,100	17,449
Capital lease obligations	0.0-7.75%	2016-2020	559	1,413
TOTAL DEBT OBLIGATIONS			**1,593,352**	**1,578,505**
Less: Amounts due within one year			(151,991)	(153,497)
NONCURRENT PORTION OF DEBT			**$1,441,361**	**$1,425,008**

Total interest expense for the years ended June 30, 2016 and 2015 was $65 million and $69 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, 2016				
Current portion	$142,294	$10,349	$854	$153,497
Reclassification from noncurrent	56,345	6,481	254	63,080
Principal payments	(46,556)	(10,349)	(854)	(57,759)
Amortization of deferred premium	(6,827)			(6,827)
CURRENT PORTION	**$145,256**	**$6,481**	**$254**	**$151,991**
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**
Year ended June 30, 2015 (RESTATED)				
Current portion	$137,566	$14,001	$2,220	$153,787
Reclassification from noncurrent	50,840	10,339	862	62,041
Principal payments	(44,603)	(13,991)	(2,228)	(60,822)
Amortization of deferred premium	(1,509)			(1,509)
CURRENT PORTION	**$142,294**	**$10,349**	**$854**	**$153,497**
Noncurrent portion	$1,270,558	$17,439	$965	1,288,962
New obligations	408,781		456	409,237
Refinancing or prepayment of debt	(211,150)			(211,150)
Reclassification to current	(50,840)	(10,339)	(862)	(62,041)
NONCURRENT PORTION	**$1,417,349**	**$7,100**	**$559**	**$1,425,008**

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, 2016 and 2015 was $49 million and $28 million, respectively. Unallocated commercial paper available to draw at June 30, 2016 and 2015 was $229 million and $79 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, 2016 and 2015 were $1.3 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, interest rate swap agreements and specific Medical Center Revenue Bonds. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds. The pledge of medical center revenues for interest rate swap agreements may be at parity with or subordinate to specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

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

2016 Activity

In April 2016, General Revenue Bonds totaling $813.1 million, including $410.3 million in tax-exempt bonds, $182.3 million in taxable bonds, $132.3 million in tax-exempt put bonds and $88.2 million of taxable fixed rate notes, were issued to finance or refinance certain facilities and projects of the University. The bonds mature at various dates through 2046 and the taxable fixed rate notes mature at 2021. The put bonds will be subject to mandatory tender for purchase in 2021. 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 percent. The tax-exempt bonds have a stated weighted average interest rate of 5 percent. The tax-exempt put bonds have an initial term rate of 1.4 percent. The taxable fixed rate notes have a stated interest rate of 1.9 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 $532.1 million, including $434.2 million tax-exempt bonds and $97.9 million taxable bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain athletic, parking, recreational, dining, student and faculty housing of the University. The bonds mature at various dates through 2051. 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 August 2016, Medical Center Pooled Revenue Bonds totaling $1.0 billion, including $872.8 million of tax-exempt bonds and $173.4 million taxable bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds for the Campus, including a net bond premium of $48.4 million, were used to pay for project construction, issuance costs, and to refund $265 million of outstanding Medical Center Pooled Revenue Bonds and all of the outstanding Medical Center Revenue Bonds. The bonds mature at various dates through 2047. Simultaneously, a bank standby bond purchase agreement for certain of the University's variable-rate demand bonds was terminated. The University will provide its own liquidity in connection with mandatory and optional tenders and remarketing of these bonds and does not plan to provide any third-party liquidity facility to support this obligation. The interest rates on the variable-rate demand bonds reset daily and an interest rate swap is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to the Regents for tender. The tax-exempt and taxable bonds have a stated weighted average interest rate of 4.5 percent and 3.0, respectively. The refunding of the outstanding Medical Center Pooled Revenue Bonds and Medical Center Revenue Bonds resulted in a loss of $9.5 million for UC Davis, 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 Indentures for the Medical Center Pooled Revenue Bonds and certain interest rate swap agreements. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, specific Medical Center Pooled Revenue Bonds.

2015 Activity

In March 2015, General Revenue Bonds totaling $1.2 billion, including $381.8 million of taxable bonds and $797 million of tax-exempt bonds, were issued to finance or refinance certain facilities and projects of the University. The bonds mature at various dates through 2045. Proceeds for the Campus, including a bond premium of $19 million, were used to pay for project construction and issuance costs and to refund $151 million of outstanding General Revenue Bonds. The taxable bonds have a stated weighted average interest rate of 3.8 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.6 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in a loss of $39.1 million with the Campus' portion of $5 million, recorded as a deferred outflow of resources that will be amortized as interest expense over the remaining life of the refunded bonds.

In March 2015, Limited Project Revenue Bonds totaling $1.7 billion, including $436.5 million of taxable bonds and $1.2 billion of tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain athletic, parking, recreational, dining and student and faculty housing facilities of the University. The bonds mature at various dates through 2050. Proceeds for the Campus, including a bond premium of $14 million, were used to pay for project construction and issuance costs and refund $60 million of outstanding General Revenue Bonds and Limited Project Revenue Bonds. The taxable bonds have a weighted average interest rate of 4.1 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.8 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in a loss of $55.0 million with the Campus' portion of $4 million, recorded as a deferred outflow of resources that will be amortized as interest expense over the remaining life of the refunded bonds.

In April 2015, General Revenue Bonds totaling $500 million were issued to finance capital projects of the University or for such purposes as authorized by the Regents. The Campus' proceeds were $90 million. The taxable bonds have a stated interest rate of 4.8 percent, maturing in 2115.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2016, 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						
2017	$113,750	$6,533	$265	$120,548	$55,840	$64,708
2018	115,489	623	189	116,301	52,072	64,229
2019	115,082		63	115,145	53,115	62,030
2020	113,074		63	113,137	53,504	59,633
2021	111,001			111,001	53,771	57,230
2022 - 2026	524,675			524,675	286,647	238,028
2027 - 2031	383,353			383,353	215,319	168,034
2032 - 2036	333,356			333,356	211,450	121,906
2037 - 2041	267,595			267,595	192,341	75,254
2042 - 2046	188,319			188,319	143,544	44,775
2047 - 2051	75,114			75,114	41,146	33,968
2052 - 2115	562,748			562,748	140,000	422,748
TOTAL FUTURE DEBT SERVICE:	**2,903,556**	**7,156**	**580**	**2,911,292**	**$1,498,749**	**$1,412,543**
Less: Interest component of future payments	(1,412,466)	(56)	(21)	(1,412,543)		
PRINCIPAL PORTION OF FUTURE PAYMENTS	**1,491,090**	**7,100**	**559**	**1,498,749**		
Adjusted by: Unamortized bond premium	94,603			94,603		
TOTAL DEBT	**$1,585,693**	**$7,100**	**$559**	**$1,593,352**		

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, 2016.

9. Other Current And Noncurrent Liabilities

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

(in thousands of dollars)

	2016		2015	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Compensated absences	$90,399	$58,959	$91,529	$55,862
Third-party payor settlement liability	157,176		130,680	
Accrued interest	8,782		9,053	
McClellan closure		17,593		17,593
Pollution remediation		56,366		56,366
Landfill closure		2,040		2,315
Other liabilities	17,735	2,977	16,234	944
TOTAL OTHER LIABILITIES	**$274,092**	**$137,935**	**$247,496**	**$133,080**

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, 2016 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 approximate 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, 2016, 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)

	2016		RESTATED 2015	
	DEFERRED OUTFLOWS	DEFERRED INFLOWS	DEFERRED OUTFLOWS	DEFERRED INFLOWS
Service concession arrangements		$51,532		$52,406
Net pension liability	$729,160	221,542	$468,593	491,732
Loss on debt refunding	50,388		55,307	
TOTAL DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES	**$779,548**	**$273,074**	**$523,900**	**$544,138**

11. Retiree Health Plans

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 CALIFORNIA
Retirees who are currently receiving benefits	41,551
Employees who may receive benefits at retirement	124,317
TOTAL MEMBERSHIP	**165,868**

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. Membership in UCRP is required to become eligible for retiree health benefits. 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 employer 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 $2.98 and $2.65 per $100 of UCRP covered payroll effective July 1, 2016 and 2015, respectively. This resulted in UC Davis contributions of $48 million and $41 million for years ended June 30, 2016 and 2015, respectively.

The actuarial value of UCRHBT assets and the actuarial accrued liability associated with the University's campuses and medical centers using the entry age normal cost method as of July 1, 2015, the date of the latest actuarial valuation, were $50.6 million and $17.3 billion, respectively. The net position held in trust for retiree health benefits on the UCRHBT's statement of plan fiduciary net position were $72.5 million and $50.6 million at June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, combined contributions from the University's campuses and medical centers were $406.6 million and $350.2 million, respectively, including an implicit subsidy of $97 million and $91.6 million, respectively. The University's annual retiree health benefit expense for its campuses and medical centers was $1.4 billion and $1.3 billion for the years ended June 30, 2016 and 2015, respectively. As a result of contributions that were less than the retiree health benefit expense, the University's obligation for retiree health benefits attributable to its campuses and medical centers totaling $10.2 billion and $9.1 billion at June 30, 2016 and 2015, respectively, increased by $1.1 billion and $924 million for the years ended June 30, 2016 and 2015, respectively.

Information on plan assets and liabilities as they relate to individual campuses and medical centers is not readily available. Additional information on the retiree health plans can be obtained from the 2015-2016 annual reports of the University of California.

12. 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 2015-2016 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, 2016:

	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	70,077
Inactive members entitled to, but not receiving benefits	81,595
Active members:	
Vested	75,298
Nonvested	53,215
Total active members	128,513
TOTAL MEMBERSHIP	**280,185**

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 were 8 percent. Effective July 1, 2015, 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)

	2016			RESTATED 2015		
	EMPLOYER	**EMPLOYEE**	**TOTAL**	**EMPLOYER**	**EMPLOYEE**	**TOTAL**
Campus	$131,276	$75,502	$206,778	$125,637	$72,116	$197,753
Medical Center	95,435	54,888	150,323	88,693	50,913	139,606
TOTAL	**$226,711**	**$130,390**	**$357,101**	**$214,330**	**$123,029**	**$337,359**

Additional deposits were made by the University to UCRP in July 2014 and December 2015. 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 is as follows:

(in thousands of dollars)

	2016	2015
Campus	$50,907	$64,550
Medical Center	37,008	45,579
TOTAL	**$87,915**	**$110,129**

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)

	2016		2015	
	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	9.0%	$1,232,451	9.2%	$888,905
Medical Center	6.6%	895,967	6.5%	627,561
TOTAL		**$2,128,418**		**$1,516,466**

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, 2015 and 2014, respectively. 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)

	2016	2015
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 2016 and 2015 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)

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED 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, 2016 and 2015 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, 2016 and 2015.

SENSITIVITY OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION. The following presents the June 30, 2016 net pension liability of the Campus and the medical center calculated using the June 30, 2016 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	$1,934,319	$1,232,451	$645,955
Medical Center	1,406,206	895,967	469,595
TOTAL	**$3,340,525**	**$2,128,418**	**$1,115,550**

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
2016			
DEFERRED OUTFLOWS 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**
2015 (RESTATED)			
DEFERRED OUTFLOWS OF RESOURCES			
Changes in proportion and differences between contributions and proportionate share of contributions	$1,615	$24,229	$25,844
Changes of assumptions or other inputs	259,526	183,223	442,749
TOTAL	**$261,141**	**$207,452**	**$468,593**
DEFERRED INFLOWS OF RESOURCES			
Changes in proportion and differences between contributions and proportionate share of contributions	$26,380	$12,539	$38,919
Changes of assumptions or other inputs	126,818	89,534	216,352
Net difference between projected and actual earnings on pension plan investments	102,612	72,444	175,056
Difference between expected and actual experience	35,994	25,411	61,405
TOTAL	**$291,804**	**$199,928**	**$491,732**

Net deferred outflows of resources and deferred inflows of resources as of June 30, 2016 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
2017	$38,042	$42,443	$80,485
2018	19,258	23,113	42,371
2019	129,224	98,380	227,604
2020	88,188	67,171	155,359
2021	(195)	1,994	1,799
TOTAL	**$274,517**	**$233,101**	**$507,618**

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 medical centers 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 2015-2016 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu/.

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, 2016 and 2015 is as follows:

(in thousands of dollars)

	RESTRICTED NON-EXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2016				
Endowments	$116,695	$155,764		$272,459
Funds functioning as endowments		221,139	$143,451	364,590
Annuity and life income	3,260			3,260
Gifts		105,393	1,920	107,313
ENDOWMENTS AND GIFTS	**$119,955**	**$482,296**	**$145,371**	**$747,622**
At June 30, 2015				
Endowments	$114,847	$175,685		$290,532
Funds functioning as endowments		233,241	$149,462	382,703
Annuity and life income	2,826			2,826
Gifts		99,448	2,210	101,658
ENDOWMENTS AND GIFTS	**$117,673**	**$508,374**	**$151,672**	**$777,719**

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 $24 million for the year ended June 30, 2016.

14. Operating Expenses By Function

Operating expenses, by functional classification, for the years ended June 30, 2016 and 2015 are as follows:

(in thousands of dollars)

	2016	RESTATED 2015
Instruction	$841,292	$761,131
Research	572,225	529,802
Public service	88,665	79,507
Academic support	291,996	202,413
Student services	149,367	135,045
Institutional support	140,788	116,570
Operations and maintenance of plant	96,257	92,643
Student financial aid	88,472	96,592
Medical center	1,809,571	1,634,500
Auxiliary enterprises	99,106	98,468
Depreciation	220,563	195,669
Other, including impairment of capital assets	5,987	3,871
TOTAL	**$4,404,289**	**$3,946,211**

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, 2016 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, 2016, and 2015, is as follows:

(in thousands of dollars)

	2016	RESTATED 2015
Bonds outstanding	$282,054	$300,269
Related debt service payments	32,833	33,180
Bonds due serially through	2047	2047
CONDENSED STATEMENTS OF NET POSITION		
Current assets	$825,786	$734,783
Capital assets, net	1,004,073	1,003,080
Other noncurrent assets	18,837	21,540
TOTAL ASSETS	**1,848,696**	**1,759,403**
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**329,360**	**220,741**
Current liabilities	374,616	351,615
Long-term debt	268,671	294,564
Other noncurrent liabilities	1,108,165	801,568
TOTAL LIABILITIES	**1,751,452**	**1,447,747**
TOTAL DEFERRED INFLOWS OF RESOURCES	**84,896**	**199,928**
Net investment in capital assets	701,366	683,085
Unrestricted	(359,658)	(350,616)
TOTAL NET POSITION	**$341,708**	**$332,469**
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	$1,935,274	$1,723,966
Operating expenses	(1,797,223)	(1,587,012)
Depreciation expense	(79,291)	(85,078)
OPERATING INCOME	**58,760**	**51,876**
Nonoperating revenues (expenses), net	(461)	(5,262)
INCOME BEFORE CHANGES IN NET POSITION	**58,299**	**46,614**
Health systems support	(41,387)	(32,323)
Transfers (to) from University, net	(8,563)	(10,563)
Changes in allocation for pension payable to University	(1,184)	3,137
Contributions for building programs	2,074	1,398
INCREASE IN NET POSITION	**9,239**	**8,263**
Net position – beginning of year	332,469	324,206
NET POSITION – END OF YEAR	**$341,708**	**$332,469**

CONTINUED

(in thousands of dollars)

	2016	RESTATED 2015
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	$207,723	$235,172
Noncapital financing activities	(46,176)	(41,048)
Capital and related financing activities	(118,061)	(88,396)
Investing activities	12,168	5,521
NET INCREASE IN CASH AND CASH EQUIVALENTS	**55,654**	**111,249**
Cash and cash equivalents – beginning of year	409,254	298,005
CASH AND CASH EQUIVALENTS – END OF YEAR	**$464,908**	**$409,254**

Additional information for the UC Davis Medical Center can be obtained from the UC Medical Centers June 30, 2016, audited financial statements available at: http://www.ucop.edu/financial-accounting/.

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, 2016 and 2015, gifts of $33.6 million and $28.8 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, 2016 and 2015 is as follows:

(in thousands of dollars)

	2016	2015
CONDENSED STATEMENTS OF NET POSITION		
Current assets	$41,005	$26,693
Other noncurrent assets	347,466	365,333
TOTAL ASSETS	**388,471**	**392,026**
Current liabilities	682	792
Noncurrent liabilities	5,544	6,880
TOTAL LIABILITIES	**6,226**	**7,672**
Restricted	380,033	382,092
Unrestricted	2,212	2,262
TOTAL NET POSITION	**$382,245**	**$384,354**
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	$31,476	$35,016
Operating expenses	(33,860)	(29,146)
OPERATING INCOME (LOSS)	**(2,384)**	**5,870**
Nonoperating revenues (expenses), net	(12,198)	16,759
INCOME (LOSS) BEFORE CHANGES IN NET POSITION	**(14,582)**	**22,629**
Additions to permanent endowments	12,473	12,650
INCREASE (DECREASE) IN NET POSITION	**(2,109)**	**35,279**
Net position – beginning of year	384,354	349,075
NET POSITION – END OF YEAR	**$382,245**	**$384,354**
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	($19,481)	($1,780)
Noncapital financing activities	10,697	8,685
Investing activities	6,155	(4,675)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,629)**	**2,230**
Cash and cash equivalents – beginning of year	20,726	18,496
CASH AND CASH EQUIVALENTS – END OF YEAR	**$18,097**	**$20,726**

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 $169 million at June 30, 2016.

UC Davis leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses were $35 million for the years ended June 30, 2016 and 2015. 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	
2017	$39,600
2018	31,133
2019	24,466
2020	21,332
2021	17,455
2022-2026	45,401
2027-2031	17,732
2032-2034	352
TOTAL	**$197,471**

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-EMPLOYEE PAYROLL	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY
Davis Campus					
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%
2012	9.5%	1,329,316	789,556	168.4%	71.3%
Davis Medical Center					
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%
2012	6.3%	880,516	522,988	168.4%	71.3%

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UNIVERSITY OF CALIFORNIA

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