

REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA

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**STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1984**

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REPORT BY THE  
OFFICE OF THE AUDITOR GENERAL

F-400

STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1984

FEBRUARY 1985



Telephone:  
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Thomas W. Hayes  
Auditor General

STATE OF CALIFORNIA  
**Office of the Auditor General**

660 J STREET, SUITE 300  
SACRAMENTO, CA 95814

February 20, 1985

F-400

Honorable Art Agnos, Chairman  
Members, Joint Legislative  
Audit Committee  
State Capitol, Room 3151  
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report entitled "State of California, Financial Report, Year Ended June 30, 1984." This financial report includes an introductory section with an overview prepared by the State Controller; a financial section with the State's General Purpose Financial Statement presented on a basis in conformity with generally accepted accounting principles (GAAP); and a statistical section with important labor, income, and population statistics.

The financial statements show that the General Fund had an excess of revenue over expenditures of \$982 million for the fiscal year ending June 30, 1984. The GAAP statements include all liabilities owed by the State while the legal basis statements used for budgeting do not reflect all liabilities.

Respectfully submitted,

  
THOMAS W. HAYES  
Auditor General

**STATE OF CALIFORNIA**  
**FINANCIAL REPORT**  
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**INTRODUCTORY SECTION**



KENNETH CORY

## Controller of the State of California

SACRAMENTO, CALIFORNIA 95805

January 12, 1985

People of the State of California  
Honorable George Deukmejian,  
Governor  
Honorable David Roberti,  
Senate President pro Tempore  
Honorable Willie L. Brown, Jr.,  
Speaker of the Assembly

Attached are the general purpose financial statements of the State of California prepared in accordance with generally accepted accounting principles (GAAP). This report meets the disclosure standards of the accounting profession and is primarily intended to meet the needs of users such as bond-rating agencies. My Annual Report, prepared on a legal/budgetary basis which is in compliance with existing State laws and State accounting principles, should continue to be used as a focal point for past executions of the State's budget as well as for future budget planning.


On a legal/budgetary basis, the General Fund, the main operating fund of the State, ended the 1983-84 Fiscal Year with a "surplus" (Undesignated Fund Balance) of \$327.6 million which was transferred to the Contingency Reserve for Economic Uncertainties account under the provisions of Section 12.30(e) of the 1983 Budget Act (Chapter 324, Statutes of 1983). The "surplus" would have been greater by \$338.7 million if it were not for the ruling of the Appellate Court in the case of California Teachers' Association v. Cory, requiring me to transfer the amount of additional contributions from the General Fund to the Teachers' Retirement Fund.

The General Fund has finally reversed its steadily deteriorating status by ending the 1983-84 Fiscal Year with a "legal/budgetary surplus" of \$327.6 million, compared with a deficit of \$608.4 million at the end of the 1982-83 Fiscal Year. Major statutory changes that increased taxes, combined with an improved economy, are mainly responsible for the dramatic reversal of the fund's financial condition. External borrowing was still necessary however, during the course of the 1983-84 Fiscal Year. The modest surplus in the General Fund should not deter the efforts underway to establish a prudent reserve system.

A reconciliation between the legal/budgetary fund balance to the GAAP basis fund balance of the General Fund is presented on pages 38 and 39 of this report. You will note that on the GAAP basis there was no surplus and thus a Contingency Reserve for Economic Uncertainties was not shown.

My staff and I wish to express our appreciation to all State agencies for their assistance and to the Auditor General's staff for their audit of the financial statements contained in this report.

Cordially,

  
KENNETH CORY  
State Controller

## STATE CONTROLLER'S OVERVIEW

This report presents the General Purpose Financial Statements of the State of California in conformance with generally accepted accounting principles (GAAP). In addition, the State Controller's Office is also required by law to publish the State of California Annual Report (the "legal basis financial report"). The legal basis financial report is prepared in accordance with legal and regulatory requirements and is used for reporting on the execution of the State's budget as well as for future budget planning. The accounting records of state agencies are maintained on the legal basis for the primary purpose of maintaining accountability of the State's budget and fiscal legislation; they are the records used as the basis for audit. After the legal basis report is prepared, adjustments are made to prepare the GAAP basis report. The GAAP basis statements are intended to meet the standards of the accounting profession with respect to disclosure and comparability with the financial statements of other states. The bond rating agencies, among others, desire the State to furnish GAAP basis financial statements.

A reconciliation of the two accounting bases for the General Fund, along with an explanation of the primary differences, is provided on pages 36 through 39 of this report. A reconciliation showing the differences between the two accounting bases for the Special Revenue fund balances is provided on page 40 of this report.

By statute, the Auditor General is required annually to issue an auditor's report on the State's General Purpose Financial Statements (GAAP basis report). The auditor's report did not disclose any material errors in either the legal basis or the GAAP basis financial statements. The 1984 report of the Auditor General is included in the financial section of this report.

### Current General Obligation Bond Rating and Debt Position

The State's current general obligation bond ratings are as follows:

- Moody's                      Aa
- Standard & Poor's        AA

The general obligation debt position of the State at June 30, 1984, is provided in note 11, pages 45 through 48 of the financial section. In accordance with the Constitution, this debt was approved by two-thirds of both houses of the Legislature and by a majority of the electorate voting in a general election or a direct primary.



## Budget Act for Fiscal Year 1983-84

The Budget Act of 1983 provided for repayment of the June 30, 1983, General Fund deficit and projected General Fund expenditures of approximately \$23 billion. Included as part of the budget package were approximately \$497 million in new revenues to the General Fund.

The State ended the 1983-84 fiscal year with a General Fund surplus of \$327.6 million according to the legal basis of accounting. This surplus was transferred to the Contingency Reserve for Economic Uncertainties that was established by the Budget Act of 1980. The Contingency Reserve is to be expended only upon reappropriation by the Legislature. There was a deficit of \$218.4 million according to the GAAP basis of accounting. The General Fund legal basis surplus and GAAP basis deficit are reconciled on pages 38 and 39 of this report.

## Cash Management

The State borrowed during the 1983-84 fiscal year to meet the cash needs of July, August, and October. To meet these needs, \$1.2 billion in revenue anticipation notes were issued. All notes matured prior to the end of June 1984 and were paid from available monies in the General Fund of the State.

For fiscal year 1984-85, \$1.4 billion in revenue anticipation notes were issued to meet the cash needs of July, August, and October. All notes will mature prior to the end of June 1985 and will be payable from available monies in the General Fund of the State, including, if necessary, amounts that may be borrowed from the special funds of the State.

## Economic Outlook

California's economy is experiencing a strong rebound following the recession of 1981 and 1982. The Department of Finance currently projects a 3 percent growth in real GNP for 1985, and it expects California to outperform the Nation in terms of income and employment gains for 1984 and 1985.

Inflation appears to be under control. The California Consumer Price Index increased 4.6 percent between June 1983 and June 1984, and the annual increase for 1984 is expected to be 5 percent.

**OFFICIALS OF THE  
STATE OF CALIFORNIA**

**EXECUTIVE**

George Deukmejian  
Governor

Leo T. McCarthy  
Lieutenant Governor

Kenneth Cory  
State Controller

John Van de Kamp  
Attorney General

Jesse M. Unruh  
State Treasurer

March Fong Eu  
Secretary of State

Bill Honig  
Superintendent of Public Instruction

**LEGISLATIVE**

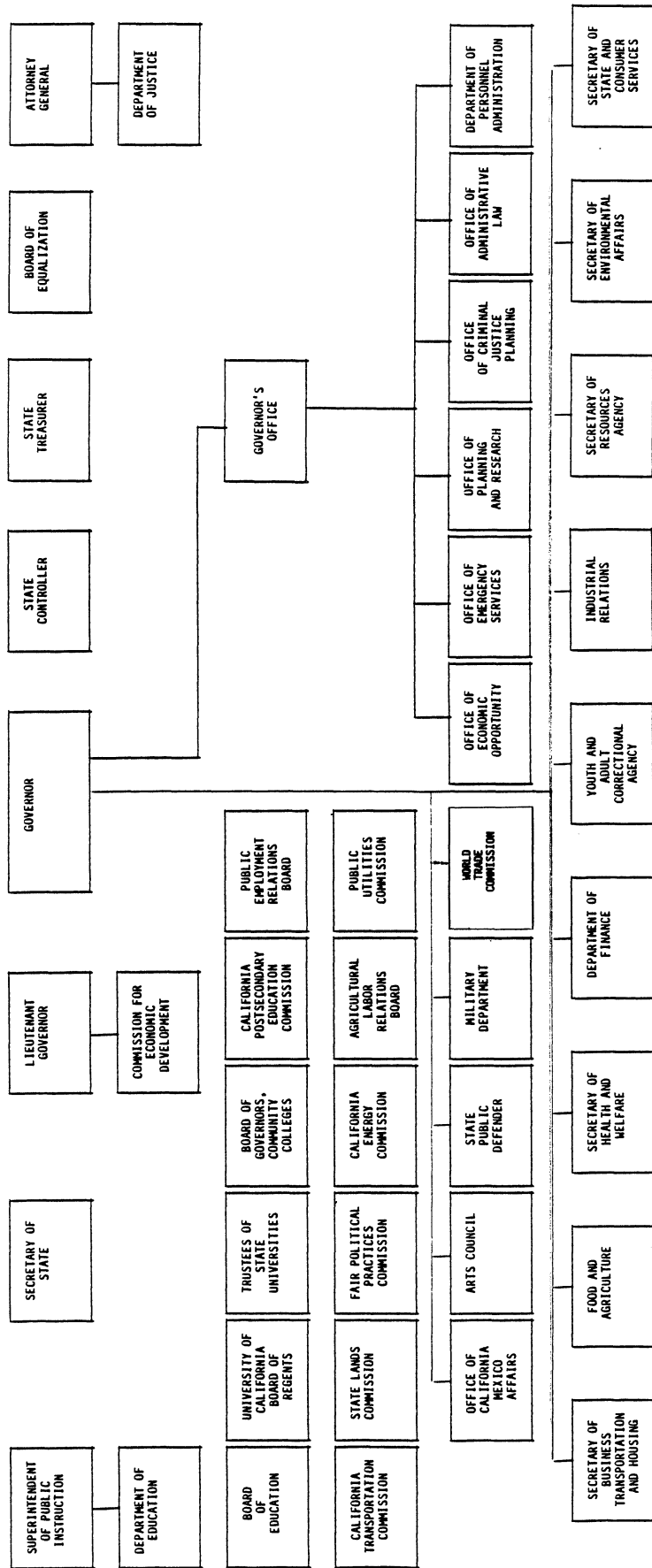
David Roberti  
President pro Tempore, Senate

Willie L. Brown, Jr.  
Speaker of the Assembly

**JUDICIAL**

Rose Bird  
Chief Justice, State Supreme Court

# THE EXECUTIVE BRANCH OF THE STATE OF CALIFORNIA



**FINANCIAL SECTION**

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Auditor General

STATE OF CALIFORNIA  
Office of the Auditor General  
660 J STREET, SUITE 300  
SACRAMENTO, CALIFORNIA 95814

Members of the Joint Legislative Audit Committee  
State of California

We have examined the General Purpose Financial Statements of the State of California as of and for the year ended June 30, 1984, as listed in the table of contents. Except for the General Fixed Asset Account Group, as explained in the next paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Pension Trust Funds which reflect total assets constituting 70 percent of the Fiduciary Funds. We also did not examine the financial statements of certain Enterprise Funds, which reflect total assets and revenues constituting 56 percent and 62 percent, respectively, of the Enterprise Funds. In addition, we did not examine the University of California Funds. The financial statements of the Pension Trust Funds, certain Enterprise Funds, and the University of California Funds referred to above were examined by other auditors who furnished their reports to us. Thus, our opinion, insofar as it relates to the amounts included for the Pension Trust Funds, certain Enterprise Funds, and the University of California Funds, is based solely upon the reports of other independent auditors.

The State has not maintained adequate fixed asset records for its governmental fund type property, plant, and equipment. Consequently, the General Fixed Assets Account Group is not presented in the accompanying financial statements prepared according to generally accepted accounting principles.

In our opinion, based upon our examination and the reports of other independent auditors, and except for the effect of the omission of the General Fixed Assets Account Group, the General Purpose Financial Statements referred to in the first paragraph present fairly the financial position of the State of California as of June 30, 1984, and the results of its operations and the changes in financial position of its Proprietary Funds and Pension Trust Funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have not audited the other data included in this report, and accordingly, we express no opinion on that data.

OFFICE OF THE AUDITOR GENERAL

Handwritten signature of Karl W. Dolk in cursive.

KARL W. DOLK, CPA  
Deputy Auditor General

December 15, 1984

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**STATE OF CALIFORNIA**  
**COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUP**  
**AS OF JUNE 30, 1984**  
**(IN THOUSANDS)**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type		Account Group
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	
<b>ASSETS</b>								
Cash and pooled investments	\$ 752,138	\$ 640,574	\$ 169,355	\$ 211,690	\$ 46,880	\$ 8,786,722		\$ 752,762
Investments				2,046,719		34,606,542		4,031,714
Amount on deposit with U.S. Treasury								
Receivables	88,025	45,161	16	4,304,853	13,628	2,616,420		521,534
Due from other funds	918,973	1,796,284	9,765	1,621,400	80,499	1,765,730		138,565
Due from other governments	12,618	1,149,462		32,585	986	4,334,576		37,188
Prepaid expenses	187,656	81,921	56	31,642	4,482	95,508		
Inventory, at cost				15,050	35,676	119,112		
Other assets	164	37,865		55,807	92	26,591		102,411
Advances and loans receivable	498,803	428,528		1,250,499	1,392	168,715		37,044
Deferred charges				855,809				
Fixed assets				3,565,112	88,371	828		4,092,186
Amounts to be provided for retirement of long-term obligations								
<b>Total Assets</b>	<u>\$2,458,377</u>	<u>\$4,179,795</u>	<u>\$179,192</u>	<u>\$13,991,166</u>	<u>\$272,006</u>	<u>\$52,520,744</u>	<u>\$2,986,169</u>	<u>\$9,713,404</u>
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities								
Accounts payable	\$ 198,133	\$ 290,923	\$ 13,007	\$ 158,267	\$ 49,932	\$ 1,716,980		\$ 382,386
Agreements to repurchase securities						1,506,201		
Due to other funds	1,071,829	1,470,511	764	50,480	34,672	6,211,526		60,280
Due to other governments	163,594	260,300	1,005	13,620	853	2,120,498		
Dividends payable				51,000				
Advances from other funds		78		937,606	35,720	27,134		37,044

Tax overpayments	127,449				31,389	
Benefits payable					211,679	
Deposits	116		1,102,684		684,506	502
Notes payable			1,406			
Compensated absences payable	66,799		118,824			\$ 363,902
Mortgages and other borrowings						
Capital lease obligations						213,200
Advance collections	110,105	78,582	186,627	3,123	2,374	63,412
General obligation bonds payable			4,667,915			
Revenue bonds payable	34,535		3,491,967			2,234,900
Bond interest payable	11,359	27,910	179,282	2,196		208,611
Other liabilities			17,947		151,076	
Total Liabilities	<u>1,783,919</u>	<u>2,128,304</u>	<u>10,977,625</u>	<u>126,496</u>	<u>12,663,363</u>	<u>2,986,169</u>
						<u>965,435</u>
Fund Equity						
Contributed capital			19,613			
Investment in general fixed assets						3,702,796
Retained earnings			210,741	145,510		
Reserved for regulatory requirements			2,783,187			
Unreserved						
Fund balances						
Reserved for encumbrances	231,106	725,745			141,743	
Reserved for advances and loans	498,803	428,528				
Reserved for employees' retirement system					36,271,828	3,730,243
Reserved for other specific purposes	100,000					643,900
Unreserved						
Designated for subsequent years' expenditures	62,972	72,219				
Designated for University of California						
Undesignated (Deficit)	(218,423)	824,999			3,443,810	671,030
Total Fund Equity	<u>674,458</u>	<u>2,051,491</u>	<u>3,013,541</u>	<u>145,510</u>	<u>39,857,381</u>	<u>8,747,969</u>
Total Liabilities and Fund Equity	<u>\$2,458,377</u>	<u>\$4,179,795</u>	<u>\$13,991,166</u>	<u>\$272,006</u>	<u>\$52,520,744</u>	<u>\$2,986,169</u>
						<u>\$9,713,404</u>

See the notes accompanying the financial statements.



STATE OF CALIFORNIA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1984  
 (IN THOUSANDS)

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expensible Trust
Revenues				
Taxes	\$22,451,747	\$ 809,715		\$2,893,123
Intergovernmental	65,822	8,916,334		691
Licenses and permits	135,914	766,516		
Natural resources	283,990	45,688	\$ 72,049	5,236
Charges for services	38,800	67,451		35,876
Fees	258,096	381,957		
Penalties	21,687	45,192		
Interest	259,540	126,491	143	270,370
Miscellaneous	52,579	45,770		147,815
Total Revenues	<u>23,568,175</u>	<u>11,205,114</u>	<u>72,192</u>	<u>3,353,111</u>
Expenditures				
Current				
General government	906,465	536,547		47,620
Education	12,163,751	1,065,534		13,221
Health and welfare	6,749,269	6,527,658		2,745,362
Resources	275,203	357,376		77,489
State and consumer services	156,839	264,614		21,426
Business and transportation	41,691	2,297,071		9,651
Correctional programs	835,179	10,487		
Property tax relief	1,070,154			
Capital outlay	74		155,820	183
Debt service				
Principal retirement	184,259			
Interest and fiscal charges	158,640			
Total Expenditures	<u>22,541,524</u>	<u>11,059,287</u>	<u>155,820</u>	<u>2,914,952</u>
Other Financing Sources (Uses)				
Proceeds from general obligation bonds		270,000	35,000	40,000
Operating transfers in	53,555	394,379	55,044	61,020
Operating transfer out	(97,879)	(261,769)	(44,631)	(20,110)
Total Other Financing Sources	<u>(44,324)</u>	<u>402,610</u>	<u>45,413</u>	<u>80,910</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>982,327</u>	<u>548,437</u>	<u>(38,215)</u>	<u>519,069</u>
Fund Balances (Deficit), July 1, 1983, as restated	<u>(307,869)</u>	<u>1,503,054</u>	<u>202,327</u>	<u>3,066,484</u>
Fund Balances, June 30, 1984	<u>\$ 674,458</u>	<u>\$ 2,051,491</u>	<u>\$164,112</u>	<u>\$3,585,553</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (LEGAL BASIS)**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1984**  
**(IN THOUSANDS)**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues						
Taxes		\$22,299,890			\$ 41,403	
Intergovernmental		29,206			9,411,184	
Licenses and permits		11,342			764,910	
Natural resources		283,479			45,688	
Charges for services		38,800			62,727	
Fees		48,527			380,957	
Penalties		21,187			53,663	
Interest		259,310			68,114	
Miscellaneous		354,184			379,770	
Total Revenues		<u>23,345,925</u>			<u>11,208,416</u>	
Expenditures						
Current						
General government	\$ 1,008,451	910,445	\$ 98,006	\$ 672,109	623,604	\$ 48,505
Education	11,925,272	11,908,786	16,486	1,201,882	1,071,717	130,165
Health and welfare	7,325,986	7,209,630	116,356	5,612,906	5,557,020	55,886
Resources	287,611	283,743	3,868	328,277	304,008	24,269
State and consumer services	166,111	163,205	2,906	580,564	437,433	143,131
Business and transportation	40,403	38,624	1,779	5,198,187	4,902,352	295,835
Correctional programs	863,148	845,569	17,579	11,081	10,240	841
Property tax relief	1,179,342	1,072,155	107,187			
Capital outlay	102	74	28			
Debt service						
Principal retirement	181,985	181,985				
Interest and fiscal charges	205,481	157,067	48,414			
Total Expenditures	<u>\$23,183,892</u>	<u>22,771,283</u>	<u>\$412,609</u>	<u>\$13,605,006</u>	<u>12,906,374</u>	<u>\$698,632</u>
Other Financing Sources						
(Uses)						
Operating transfers in		480,647			5,147,194	
Operating transfers out		(101,087)			(3,078,852)	
Total Other Financing Sources		<u>379,560</u>			<u>2,068,342</u>	
Excess of Revenues and Other Sources Over Expenditures and Other Uses		954,202			370,384	
Fund Balances (Deficit), July 1, 1983, as restated		<u>(463,580)</u>			<u>463,105</u>	
Fund Balances, June 30, 1984		<u>\$ 490,622</u>			<u>\$ 833,489</u>	

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN RETAINED EARNINGS/FUND BALANCES  
 ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1984  
 (IN THOUSANDS)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>
Operating Revenues			
Services and sales	\$ 760,644	\$341,860	
Earned premiums, net	492,199		
Investment and interest	580,956		\$ 3,628,646
Contributions			3,589,616
Miscellaneous	<u>4,830</u>		<u>5,482</u>
Total Operating Revenues	<u>1,838,629</u>	<u>341,860</u>	<u>7,223,744</u>
Operating Expenses			
Personal services	100,379	125,863	26,018
Supplies	22,206	28,872	
Services and charges	309,230	165,904	14,703
Depreciation	38,040	7,937	
Benefit payments	382,398		2,154,471
Interest expense	406,587		
Refunds			164,743
Amortization of deferred charges	<u>6,810</u>		
Total Operating Expenses	<u>1,265,650</u>	<u>328,576</u>	<u>2,359,935</u>
Operating Income	<u>572,979</u>	<u>13,284</u>	<u>4,863,809</u>
Nonoperating Revenues (Expenses)			
Grants received	1,185		
Grants provided	(10,375)		
Interest revenue	169,535		
Rent	3,569		
Interest expense and fiscal charges	(107,020)	(576)	
Gain on early extinguishment of debt	<u>1,192</u>		
Total Nonoperating Revenues and Expenses	<u>58,086</u>	<u>(576)</u>	
Operating transfers in	83,777		
Operating transfers out	<u>(73,861)</u>	<u>(5,381)</u>	
Operating Transfers	<u>9,916</u>	<u>(5,381)</u>	
Net Income	640,981	7,327	4,863,809
Dividends paid	(165,088)		
Retained Earnings/Fund Balances, July 1, 1983	<u>2,518,035</u>	<u>138,183</u>	<u>31,408,019</u>
Retained Earnings/Fund Balances, June 30, 1984	<u>\$2,993,928</u>	<u>\$145,510</u>	<u>\$36,271,828</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1984**  
**(IN THOUSANDS)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Pension</u> <u>Trust</u>
Sources of Funds			
From operations			
Net income	\$ 640,981	\$ 7,327	\$ 4,863,809
Add (deduct) items not affecting cash			
Depreciation	38,040	7,937	
Amortization of bond and note discount and premium	3,666		(156,019)
Provision for loss on investments			6,018
Gain on early extinguishment of debt	(1,192)		
Accrual of deferred expenses	1,798		
Imputed interest earnings	(77,779)		
Funds Provided from Operations	<u>605,514</u>	<u>15,264</u>	<u>4,713,808</u>
Proceeds from investments	34,650		19,035,377
Proceeds from sale of fixed assets	3	42	
Advances from other funds	38,358	7,663	
Collection of loans receivable	159,413		
Proceeds from bonds and notes	1,029,867		
Decreases in current assets			
Due from other funds		14,193	
Other assets		2,864	1,016
Increases in current liabilities			
Accounts payable	67,059	7,114	
Due to other governments	5,865	522	
Benefits payable	78,566		43,898
Deposits	449		
Advance collections	31,120	10	
Bond interest payable	22,421		
Other liabilities	2,630		1,271
Total Funds Provided	<u>2,075,915</u>	<u>47,672</u>	<u>23,795,370</u>
Application of Funds			
Purchase of investments	219,893		22,274,239
Advances to other funds	16,627	607	
Loans provided	9,649		
Acquisition of fixed assets	105,721	17,560	47
Payments on advances from other funds	83,194		
Dividends paid	165,088		
Payments on notes	1,479		
Retirement of bonds	393,019		
Unamortized water project costs	64,687		
Increases in current assets			
Receivables	530,087	3,375	134,335
Due from other funds	317,289		1,455,990
Due from other governments	14,997	353	
Prepaid expenses	27,306		93
Inventory	7,729	3,621	
Other assets	45,365		
Decreases in current liabilities			
Due to other funds	4,435	8,111	
Dividends payable	40,000		
Other liabilities		1,561	
Total Funds Applied	<u>2,046,565</u>	<u>35,188</u>	<u>23,864,704</u>
Net Increase (Decrease) in Cash	<u>\$ 29,350</u>	<u>\$12,484</u>	<u>\$ (69,334)</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
COMBINED BALANCE SHEET  
ALL UNIVERSITY OF CALIFORNIA FUNDS  
AS OF JUNE 30, 1984  
(IN THOUSANDS)**

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment &amp; Similar Funds</u>	<u>Plant Funds</u>	<u>Retirement System Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and pooled investments	\$420,550	\$ 20,559	\$ 2,781	\$ 279,246	\$ 29,626	\$ 752,762
Investments			405,159		3,626,555	4,031,714
Receivables	315,458	168,759	1,344		35,973	521,534
Due from other funds	78,285				60,280	138,565
Due from other governments	37,188					37,188
Other assets	98,963			3,448		102,411
Advances and loans receivable			37,044			37,044
Fixed assets				4,092,186		4,092,186
<b>Total Assets</b>	<u>\$950,444</u>	<u>\$189,318</u>	<u>\$446,328</u>	<u>\$4,374,880</u>	<u>\$3,752,434</u>	<u>\$9,713,404</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Accounts payable	\$338,833		\$ 2,171	\$ 19,191	\$ 22,191	\$ 382,386
Due to other funds	60,280					60,280
Advances from other funds	132	\$ 2,000		34,912		37,044
Mortgages and other borrowings				213,200		213,200
Advance collections	63,412					63,412
Deposits			502			502
Revenue bonds payable		23,520		185,091		208,611
<b>Total Liabilities</b>	<u>462,657</u>	<u>25,520</u>	<u>2,673</u>	<u>452,394</u>	<u>22,191</u>	<u>965,435</u>
<b>Fund Equity</b>						
Investment in general fixed assets				3,702,796		3,702,796
<b>Fund balances</b>						
Reserved for employees' retirement system					3,730,243	3,730,243
Reserved for other specific purposes	178,908	124,641	277,539	62,812		643,900
Unreserved Designated for University of California	308,879	39,157	166,116	156,878		671,030
<b>Total Fund Equity</b>	<u>487,787</u>	<u>163,798</u>	<u>443,655</u>	<u>3,922,486</u>	<u>3,730,243</u>	<u>8,747,969</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$950,444</u>	<u>\$189,318</u>	<u>\$446,328</u>	<u>\$4,374,880</u>	<u>\$3,752,434</u>	<u>\$9,713,404</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
 COMBINED STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 ALL UNIVERSITY OF CALIFORNIA CURRENT FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1984  
 (IN THOUSANDS)**

Revenues	
Tuition and fees	\$ 306,548
Federal appropriations, grants, and contracts	579,550
State appropriations, grants, and contracts	1,208,649
Private gifts, grants, and contracts	148,150
Sales and services	
Educational activities	227,512
Auxiliary enterprises	213,439
Teaching hospitals	622,120
Local government	30,267
Major Department of Energy laboratories	1,500,565
Other	<u>158,917</u>
Total Revenues	<u>4,995,717</u>
Expenditures	
Instruction	834,256
Research	626,085
Public services	90,612
Academic support	325,188
Teaching hospitals	653,237
Student services	126,164
Institutional support	180,670
Operation and maintenance of plant	159,264
Student financial aid	125,420
Auxiliary enterprises	176,221
Major Department of Energy laboratories	1,494,765
Other	<u>14,106</u>
Total Expenditures	<u>4,805,988</u>
Other Financing Sources (Uses)	
Transfers out	<u>(116,585)</u>
Total Other Financing Sources (Uses)	<u>(116,585)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	73,144
Fund Balances, July 1, 1983	<u>414,643</u>
Fund Balances, June 30, 1984	<u>\$ 487,787</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CHANGES IN FUND BALANCES**  
**ALL UNIVERSITY OF CALIFORNIA FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1984**  
**(IN THOUSANDS)**

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment &amp; Similar Funds</u>	<u>Plant Funds</u>	<u>Retirement System Funds</u>
<b>Revenues and Other Additions</b>					
Unrestricted current fund revenues					
General	\$1,815,421				
Auxiliary enterprise and hospital	835,559				
Restricted gifts, grants, and contracts	2,185,820	\$ 764	\$ 13,811	\$ 33,159	
Investment and interest income	75,710	1,590	1,836	16,777	\$ 249,286
Net gain (loss) on sale of investments	(146)		(2,037)	3,531	(13,321)
Governmental grants and contracts		5,304		1,581	
Student debt service fees				2,297	
Governmental appropriations				11,721	
Expended for plant facilities (including \$169,930 financed from current funds)				242,821	
Retirement of indebtedness				25,662	
Contributions to retirement system					
University Member					265,692
Other	83,353	2,101	1,188	28,552	97,099
					<u>311</u>
<b>Total Revenues and Other Additions</b>	<u>4,995,717</u>	<u>9,759</u>	<u>14,798</u>	<u>366,101</u>	<u>599,067</u>
<b>Expenditures and Other Deductions</b>					
Current fund expenditures	4,791,882				
Plant fund expenditures				79,758	
Debt service					
Principal retirement				25,662	
Interest				20,043	
Disposals of plant assets				30,705	
Retirement system expenditures					
Benefits					62,571
Withdrawals					35,849
Other	14,106	4,948	1,678	557	4,907
					<u>103,327</u>
<b>Total Expenditures and Other Deductions</b>	<u>4,805,988</u>	<u>4,948</u>	<u>1,678</u>	<u>156,725</u>	<u>103,327</u>
Transfers in (out)	(116,585)	6,164	433	109,988	
Net Increase in Fund Balances	73,144	10,975	13,553	319,364	495,740
Fund Balances, July 1, 1983	414,643	152,823	430,102	3,603,122	3,234,503
Fund Balances, June 30, 1984	<u>\$ 487,787</u>	<u>\$163,798</u>	<u>\$443,655</u>	<u>\$3,922,486</u>	<u>\$3,730,243</u>

See the notes accompanying the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Definition of the Reporting Entity

The General Purpose Financial Statements present information on the financial activities of the State of California (State) over which the Governor, the State Legislature, and other elected officials have direct or indirect governing and fiscal control. The financial statements include accounts of various boards, commissions, agencies, authorities, retirement systems, the workers' compensation insurance fund, and the state universities. The scope of the reporting entity was determined in accordance with the provisions contained in Statement 3 of the National Council on Governmental Accounting.

### 2. Summary of Significant Accounting Policies

#### A. Basis of Presentation

The accompanying financial statements present the financial position and the results of operations of the State for the year ended June 30, 1984. Except for the University of California, as explained below, the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the National Council on Governmental Accounting, by the American Institute of Certified Public Accountants, and by the Financial Accounting Standards Board. The financial statements of the University of California have been prepared in conformity with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers and by the American Institute of Certified Public Accountants.

The University of California receives an annual appropriation from the General Fund of the State. For the year ended June 30, 1984, approximately \$1.1 billion was accrued or disbursed from the General Fund to the University of California. This amount is recorded as revenues and expenditures in both the General Fund and the University of California Funds and is reported as such in the accompanying financial statements. Thus, these revenues and expenditures are reported twice.

Included in the State's General Purpose Financial Statements are the financial statements of the State Compensation Insurance Fund as of and for the year ended December 31, 1983. The State Compensation Insurance Fund represents 12.1 percent and 32.3 percent, respectively, of the assets and revenues of the Enterprise Funds.



## B. Fund Accounting

The financial activities of the State accounted for in the accompanying financial statements have been classified as follows:

### Governmental Fund Types

The governmental fund types are used primarily to account for services provided to the general public without charging directly for those services. The State has three governmental fund types:

The General Fund is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that do not need to be accounted for in another fund.

Special Revenue Funds account for transactions related to resources obtained from dedicated revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds account for transactions related to resources obtained and used to acquire or construct major capital facilities.

### Proprietary Fund Types

The proprietary fund types present financial data on state activities that are similar to those found in the private sector. Users are charged for the goods or services provided. The proprietary fund types are as follows:

Enterprise Funds account for goods or services provided to the general public on a continuing basis either where the State intends that all or most of the cost involved are to be financed by user charges or where periodic measurement of the results of operations is appropriate for management control, accountability, or other purposes.

Internal Service Funds account for goods or services provided to other funds, agencies, departments, or governments on a cost-reimbursement basis.

### Fiduciary Fund Types

The fiduciary fund types are used to account for assets held by the State either as a trustee or as an agent for individuals, private organizations, other governments, or other funds. The fiduciary fund types are as follows:

Expendable Trust Funds account for assets held in a trustee capacity where both principal and income may be expended in the course of a fund's designated operations.

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the retirement systems.

Agency Funds account for assets held by the State as an agent for individuals, private organizations, other governments, or other funds. They are custodial in nature and do not measure the results of operations.

#### General Long-Term Obligations Account Group

This account group records unmatured general obligation bonds and other long-term obligations generally expected to be financed from governmental funds.

#### University of California

The University of California uses the following types of funds to account for its activities:

Current Funds account for unrestricted funds that are expendable in pursuing the objectives of the University of California, over which the Regents of the University of California (Regents) retain control, and for externally restricted funds that may be used only in accordance with specified purposes.

Loan Funds account for resources available primarily for loans to students. In addition, resources are also available for loans to faculty and staff.

Endowment and Similar Funds--Endowment funds are invested in perpetuity, and the income is used in accordance with restrictions imposed by donors. Funds functioning as endowments are established by the Regents, and both principal and income may be expended.

Plant Funds account for resources available to acquire properties, to service the debt related to properties, to provide for the renewal and replacement of properties, and to account for funds invested in properties. Fixed assets of major laboratories of the U.S. Department of Energy are federally owned and are not included in the plant funds.

Retirement System Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the University of California Retirement System. Certain employees of the University of California are members of the Public Employees' Retirement System.

C. Basis of Accounting

Governmental Fund Types, Expendable  
Trust Funds, and Agency Funds

The accounts of these fund types are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. The State's accounting practices include an exception to the modified accrual basis of accounting for vacation leave expenditures. These expenditures are recorded when paid because there is no satisfactory basis for determining the current liability. However, the liability for earned vacation of academic year faculty of the California State University and the special schools of the State Department of Education is accrued at June 30, as explained in Note 5.

Other accounting practices of the State include the recording of inventory items as expenditures when the items are purchased and the use of encumbrance accounting for budgetary control purposes. On the financial statements prepared in accordance with generally accepted accounting principles, encumbrances are shown as a reservation of fund balance.

Proprietary Fund Types and Pension Trust Funds

The accounts of these fund types are reported using the accrual basis of accounting except that vacation compensation is expensed when leave is taken. The amount of compensation representing such unused vacation time is not material and, therefore, is not reported in the financial statements.

University of California

The University of California funds are accounted for on the accrual basis of accounting. Accrued compensated absences and other immaterial accruals and deferrals are omitted.

D. Fixed Assets

General Fixed Assets Account Group

The General Fixed Assets Account Group is not presented on the Combined Balance Sheet.

Proprietary Fund Types

Fixed assets, consisting of property, plant, and equipment, are stated either at cost or at fair market value at the date of acquisition, less accumulated depreciation. (See Note 10 for detail.) Water projects, which represent 68.4 percent of

the depreciable fixed assets of the Proprietary Funds, are depreciated over their service lives ranging from 30 to 100 years. Toll bridge facilities, which represent 18.6 percent of the depreciable fixed assets of the Proprietary Funds, are not depreciated. Most of the remaining assets are depreciated over their estimated service lives using the straight-line method of depreciation.

#### University of California

Plant and equipment assets are recorded at cost, if purchased. They are recorded at fair market at the date of acquisition, if donated. The fixed assets of the plant funds are not depreciated.

#### E. Budgetary Accounting

The State's annual budget is prepared on a modified accrual basis. The Governor recommends a budget for approval by the Legislature each fiscal year. Under California law, the State cannot adopt a spending plan that exceeds anticipated revenues.

Under the State Constitution, money may be drawn from the Treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations. The budget can be amended throughout the year by special legislative appropriations, budget revisions, or executive orders. Amendments to the initial budget for fiscal year 1983-84 were legally made, and they are included in the budget data in the accompanying financial statements.

Appropriations are generally available for expenditure or encumbrance either in the fiscal year appropriated or for a period of three years if the legislation does not specify a period of availability. Some appropriations continue indefinitely and are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period of availability of the appropriation. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

State agencies are responsible for exercising budgetary control and ensuring that appropriations are not overspent. In addition, the State Controller controls appropriations and will not disburse funds in excess of an appropriation.

### 3. Legal (Budgetary) Basis Financial Statements

#### A. Budgeted Revenues

In the annual budgeting process, the Governor estimates revenues. However, revenues are not included in the budget adopted by the Legislature.

#### B. Reconciliation of Legal Basis to GAAP Basis

The State of California annually reports the State's financial condition based on generally accepted accounting principles and also based on the State's legal provisions (legal basis). The State of California Annual Report (the legal basis financial report) is prepared in accordance with legal and regulatory requirements and is used for reporting on the execution of the State's budget. The accounting records of state agencies are maintained on the legal basis for the primary purpose of maintaining accountability of the State's budget and other fiscal legislation; these records are used as the basis for audit. After the legal basis report is prepared, adjustments are made to prepare the GAAP basis financial statements.

The accompanying Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual (Legal Basis) is compiled on the legal basis. This statement is reconciled to the General Purpose Financial Statements prepared in accordance with generally accepted accounting principles on pages 38 through 40. The primary differences between the legal basis accounting practices and generally accepted accounting principles are as follows:

##### Encumbrances

Encumbrances--goods and services that are ordered but not received by the end of the year--are recorded as expenditures on the legal basis. On the GAAP basis, they are reported as a reservation of fund balance, reduced to reflect anticipated reimbursements.

##### Accrued Expenditures of the California Medical Assistance Program

California Medical Assistance Program expenditures are, by law, accounted for on the cash basis. They are reported on the accrual basis in accordance with generally accepted accounting principles.

### Advances and Loans Receivable

Loans made to other funds or to other governments are recorded as expenditures on the legal basis. However, in accordance with generally accepted accounting principles, these loans are recorded as assets.

### Accrued Liability for Tax Overpayments

A liability for tax overpayments is not recognized on the legal basis. It is accrued in accordance with generally accepted accounting principles.

### Accrued Liability for Compensated Absences

A liability for compensated absences is not recognized in the Governmental Fund Types on the legal basis. As discussed in Note 5, the liability for earned vacation of faculty at the California State University and of the special schools of the State Department of Education is accrued in the General Fund in accordance with generally accepted accounting principles.

### Restatement of Fund Balance

The beginning fund balance of the General Fund on the legal basis is adjusted to reflect the difference between the net expenditures and revenues that were accrued the previous June 30 and the amount of actual revenues and net expenditures that were subsequently realized. The fund balance on the GAAP basis is not affected by these adjustments but is restated for an accounting change.

### Reclassifications and Miscellaneous

Certain reclassifications are necessary to present the financial statements in accordance with generally accepted accounting principles. The major reclassifications are 1) reporting California State University student fees as revenue rather than as reimbursements, 2) reporting health care receipts from other funds as reimbursements rather than as revenue, 3) reporting certain receipts from agency funds as revenues rather than as transfers in, and 4) not reporting the Contingency Reserve for Economic Uncertainties as a reservation of fund balance because of the deficit on a GAAP basis. The miscellaneous adjustments relate to liabilities for lawsuits that are not recognized in Governmental Fund Types on the legal basis unless money has been appropriated and tax payments under appeal that are recognized as revenue on the legal basis.

STATE OF CALIFORNIA  
GENERAL FUND  
RECONCILIATION OF LEGAL BASIS TO GAAP BASIS  
AS OF JUNE 30, 1984  
(IN THOUSANDS)

ADJUSTMENTS TO THE LEGAL BASIS

	Legal Basis	Encumbrances	Accrued Expenditures of the California Medical Assistance Program	Advances and Loans Receivable	Accrued Liability for Tax Overpayments	Accrued Liability for Compensated Absences	Restatement of Fund Balance	Reclassifications and Miscellaneous	GAAP Basis
<b>ASSETS</b>									
Cash and pooled investments	\$ 786,119							\$ (33,981)	\$ 752,138
Receivables	88,453							(428)	88,025
Due from other funds	809,719		\$ 132,734					(23,480)	918,973
Due from other governments	12,190							428	12,618
Prepaid expenses	79,816							107,840	187,656
Other assets	164			\$ 498,803				(107,840)	164
Advances and loans receivable	107,840								498,803
Total Assets	\$ 1,884,301	\$ 0	\$ 132,734	\$ 498,803	\$ 0	\$ 0	\$ 0	\$ (57,461)	\$ 2,458,377
<b>LIABILITIES AND FUND EQUITY</b>									
Liabilities									
Accounts payable	\$ 470,866	\$ (187,648)						\$ (85,085)	\$ 198,133
Due to other funds	745,575	(44,541)	\$ 398,341					(27,546)	1,071,829
Due to other governments	136,406	1,083			\$ 127,449			26,105	163,594
Tax overpayments									127,449
Deposits	116					\$ 66,799			116
Compensated absences payable								80,748	66,799
Advance collections	29,357							34,535	110,105
Bond interest payable									34,535
Other liabilities	11,359								11,359
Total Liabilities	1,393,679	(231,106)	398,341		127,449	66,799		28,757	1,783,919
Fund Equity									
Fund balances		231,106		\$ 498,803					231,106
Reserved for encumbrances									498,803
Reserved for advances and loans									100,000
Reserved for Los Angeles County medical assistance grant	100,000								
Contingency reserve for economic uncertainties	327,650							(327,650)	
Unreserved									
Designated for subsequent years' expenditures	62,972								62,972
Undesignated (Deficit)			(265,607)		(127,449)	(66,799)		241,432	(218,423)
Total Fund Equity	490,622	231,106	(265,607)	498,803	(127,449)	(66,799)		(86,218)	674,458
Total Liabilities and Fund Equity	\$ 1,884,301	\$ 0	\$ 132,734	\$ 498,803	\$ 0	\$ 0	\$ 0	\$ (57,461)	\$ 2,458,377

REVENUES

Taxes	\$22,299,890					\$ 7,252			\$ (52,325)	\$ 196,930	\$22,451,747
Intergovernmental	29,206									36,616	65,822
Licenses and permits	11,342									124,572	135,914
Natural resources	283,479									511	283,990
Charges for services	38,800									209,569	38,800
Fees	48,527									500	258,096
Penalties	21,187									230	21,687
Interest	259,310									(301,605)	259,540
Miscellaneous	354,184									267,323	52,579
Total Revenues	<u>23,345,925</u>					<u>7,252</u>			<u>(52,325)</u>	<u>267,323</u>	<u>23,568,175</u>

EXPENDITURES

Current											
General government	910,445	\$ (10,961)							(16,660)	3,616	906,465
Education	11,908,786	(49,704)							(1,214)	212,560	12,163,751
Health and welfare	7,209,630	(12,956)					\$ 4,763		(80,881)	(323,059)	6,749,269
Resources	283,743	(5,538)			\$ (43,465)				(3,002)	275,203	275,203
State & consumer services	163,205	(5,000)							(1,366)	156,839	156,839
Business & transportation	38,624	3,244							(177)	41,691	41,691
Correctional programs	845,569	(5,523)							(5,067)	835,179	835,179
Property tax relief	1,072,155	(324)							(1,677)	1,070,154	1,070,154
Capital outlay	74									74	74
Debt service										2,274	184,259
Principal retirement	181,985									1,573	158,640
Interest & fiscal charges	157,067										
Total Expenditures	<u>22,771,283</u>	<u>(86,562)</u>			<u>(43,465)</u>		<u>4,763</u>		<u>(110,044)</u>	<u>(103,036)</u>	<u>22,541,524</u>

OTHER FINANCING SOURCES (Uses)

Operating transfers in	480,647	(1,182)								(425,910)	53,555
Operating transfers out	(101,087)	3,208									(97,879)
Total Other Financing Sources (Uses)	<u>379,560</u>	<u>2,026</u>								<u>(425,910)</u>	<u>(44,324)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	954,202	(106,559)			43,465		(4,763)		57,719	(55,551)	982,327
Fund Balance (Deficit), July 1, 1983, as restated	(463,580)	144,544			(309,072)		(62,036)		(57,719)	(30,667)	(307,869)
Fund Balance, June 30, 1984	<u>\$ 490,622</u>	<u>\$ 231,106</u>			<u>\$ (265,607)</u>		<u>\$ (66,799)</u>		<u>\$ 0</u>	<u>\$ (86,218)</u>	<u>\$ 674,458</u>



4. Fund Balances, July 1, 1983, As Restated (GAAP Basis)

The fund balance of the General Fund as of July 1, 1983, was restated to recognize the effect on prior periods of the change in accounting necessary to record compensated absences. This change in accounting principles, as discussed in Note 5, was made to comply with the requirements of Statement 4 of the National Council on Governmental Accounting effective for the State in the year ended June 30, 1984.

Fund balances of the Expendable Trust Funds as of July 1, 1983, were restated to recognize the effect on prior periods of the change in accounting necessary to recognize as assets certain loans previously recorded as expenditures and to recognize certain loans previously omitted.

The following schedule is a summary of the restatements by fund type (in thousands):

	<u>General</u>	<u>Expendable Trust</u>
Fund Balances (Deficit), July 1, 1983, before restatement	\$(245,833)	\$2,917,593
Prior period adjustments		
Effect of change in accounting for compensated absences	(62,036)	
Loans accounted for as expenditures in prior periods		83,041
Loans previously omitted	_____	<u>65,850</u>
Fund Balances, (Deficit), July 1, 1983, as restated	<u>\$(307,869)</u>	<u>\$3,066,484</u>

5. Compensated Absences

The State has adopted the disclosure requirements for compensated absences in accordance with Statement 4 of the National Council on Governmental Accounting.

As of June 30, 1984, the State's liability for compensated absences related to accumulated vacation leave amounted to approximately \$431 million. Of this amount, \$364 million is reported in the General Long-Term Obligations Account Group, and \$67 million for earned vacation compensation of academic year faculty of the California State University and of the special schools of the State Department of Education is recorded as a current liability in the General Fund. The remaining current

liabilities for compensated absences cannot be determined. However, they are estimated to be immaterial. Accumulated sick leave balances do not vest to employees. However, unused sick leave balances convert to service credits upon retirement.

The change in recording a liability for earned vacation of academic year faculty of the California State University and of the special schools of the State Department of Education reduced the beginning fund balance of the General Fund by \$62 million and increased the education expenditures in the General Fund by \$5 million in the fiscal year ended June 30, 1984. Except for this change, the implementation of Statement 4 had no other effect on the expenditures and fund balances of the Governmental Fund Types and Expendable Trust Funds.

#### 6. Cash and Pooled Investments

The State Treasurer and the Treasurer of the Regents of the University of California each administers a pooled money investment program. These programs enable the treasurers to combine available cash from all funds within their respective systems and to invest cash that exceeds current needs.

The cash and pooled investments account includes cash on hand, cash deposited with banks, and securities consisting primarily of certificates of deposit, commercial paper, United States government issues, and federal agency obligations. Included in this account are securities that the State Treasurer sold or purchased under agreements to repurchase or resell the securities at later dates.

As of June 30, 1984, the average remaining life of the securities in the pooled money investment program administered by the State Treasurer was approximately one year and eight months. These securities are reported at amortized cost. The average remaining life of the securities in the pooled money investment program administered by the Treasurer of the Regents of the University of California was less than one year. These securities are reported at cost. Market values for the State Treasurer's portfolio and the University of California's portfolio approximate book values at June 30, 1984.

7. Investments

The following schedule shows the amortized cost and market value of investments, other than pooled investments, for all funds. Totals are those reported at June 30, 1984, except for the State Compensation Insurance Fund, which is reported as of December 31, 1983 (in thousands):

	<u>Amortized Cost</u>	<u>Market Value</u>
<u>Enterprise Funds</u>		
State Compensation Insurance Fund	\$ 1,446,409	\$ 1,271,388
Housing Finance Fund	452,873	435,271
Other Enterprise Funds	<u>147,437</u>	Unavailable
Total	<u>\$ 2,046,719</u>	
<u>Trust and Agency Funds</u>		
Public Employees' Retirement System	\$22,784,188	\$20,576,753
State Teachers' Retirement System	11,309,959	9,679,735
Legislators' Retirement System	42,961	36,082
Judges' Retirement System	622	622
Deferred Compensation Fund	425,717*	439,278
Other Trust and Agency Funds	<u>43,095</u>	Unavailable
Total	<u>\$34,606,542</u>	
<u>University of California</u>		
Endowment and Similar Funds	\$ 405,159	\$ 513,645**
University of California Retirement System	<u>3,626,555</u>	<u>4,238,190</u>
Total	<u>\$ 4,031,714</u>	<u>\$ 4,751,835</u>

\*This amount does not represent amortized cost; it includes cost and accumulated earnings.

\*\*This amount does not include the market value of real estate investments reported at amortized cost of \$12.1 million.

8. Restricted Assets

The following schedule presents a summary of the legal restrictions on assets of the Enterprise Funds and the purposes for which the assets were restricted as of June 30, 1984 (in thousands):

<u>Purpose</u>	<u>Restricted Assets</u>		
	<u>Cash and Pooled Investments</u>	<u>Investments</u>	<u>Due From Other Funds</u>
Debt service	\$18,725	\$2,824	\$390,662
Construction	53,026		139,983
Equipment repair and replacement			18,304
Deposits	<u>450</u>	<u>          </u>	<u>562</u>
Total Restricted Assets	<u>\$72,201</u>	<u>\$2,824</u>	<u>\$549,511</u>

9. Deferred Charges

The deferred charges account in the Enterprise Fund Type represents operating costs and depreciation that will be recognized as expenses over the remaining life of long-term State Water Project contracts because these costs are billable in future years. In addition, the account includes imputed interest earnings on unrecovered capital and operating costs that are recorded as deferred charges until they are billed in future years under the terms of the State Water Project contracts.

10. Fixed Assets

The following schedule presents a summary of the fixed assets of the Proprietary Fund Types and the University of California as of June 30, 1984 (in thousands):

	<u>Proprietary Fund Types</u>		<u>University of California</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
State water projects	\$2,746,265		
Toll facilities	634,439		
Other land, improvements, buildings, and equipment	363,086	\$160,202	\$3,907,882
Construction in progress	<u>247,304</u>	<u>                    </u>	<u>184,304</u>
Total Fixed Assets	3,991,094	160,202	4,092,186
Less accumulated depreciation	<u>425,982</u>	<u>71,831</u>	<u>                    </u>
Net Fixed Assets	<u>\$3,565,112</u>	<u>\$ 88,371</u>	<u>\$4,092,186</u>

11. General Obligation Bonds

The State Constitution permits the State to issue general obligation bonds for specific purposes and in such amounts as approved by two-thirds of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education and second to service the debt on outstanding general obligation bonds. Enterprise funds reimburse the General Fund for the debt service provided on their behalf. In 1969, the City and County of San Francisco also agreed to reimburse the State for debt service on certain general obligation bonds for harbor development and improvement.

A. Changes in Bond Indebtedness

The following schedule summarizes the changes in general obligation bond debt for the year ended June 30, 1984 (in thousands):

	<u>Balance July 1, 1983</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1984</u>
General Long-Term Obligations	\$2,074,159	\$345,000	\$184,259	\$2,234,900
Enterprise Funds	<u>4,475,715</u>	<u>465,000</u>	<u>272,800</u>	<u>4,667,915</u>
Total General Obligation Bonds	<u>\$6,549,874</u>	<u>\$810,000</u>	<u>\$457,059</u>	<u>\$6,902,815</u>

General obligation bonds that are directly related to and expected to be paid from the resources of enterprise funds are included within the accounts of such funds in the accompanying financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such funds.

B. Bonds Outstanding and Bonds Authorized But Unissued

The following schedule shows general obligation bonds outstanding and bonds authorized but unissued as of June 30, 1984 (in thousands):

	<u>Outstanding</u>	<u>Authorized But Unissued</u>
<u>General Long-Term Obligations</u>		
State School Building Lease- Purchase	\$ 311,650	\$ 180,000
Clean Water	297,750	30,000
State Construction	274,550	
State Beach, Park, Recreational and Historical Facilities	219,425	
Clean Water and Water Conservation	207,250	145,000
State, Urban, and Coastal Park	198,165	30,000
State Parklands	175,025	95,000
Health Science Facilities	97,380	
Safe Drinking Water	94,265	75,000
New Prison Construction	92,500	695,000
Community College Construction Higher Education Construction Program	87,250	
	82,640	
Recreation and Fish and Wildlife Enhancement	30,000	
County Jail Capital Expenditure	25,000	505,000
Junior College Construction	23,500	
Harbor Development	17,555	
San Francisco Harbor Improvement	995	
California Park and Recreational Facilities		370,000
Lake Tahoe Acquisitions		85,000
Fish and Wildlife Habitat Enhancement		85,000
	<hr/>	<hr/>
Total General Long-Term Obligations	<u>2,234,900</u>	<u>2,295,000</u>
<u>Enterprise Funds</u>		
California Veterans	2,551,175	100,000
California Water Resource Development	1,434,695	180,000
State School Building Aid	665,995	40,000
First-Time Home Buyers	15,000	185,000
Harbor Development	1,050	
	<hr/>	<hr/>
Total Enterprise Funds	<u>4,667,915</u>	<u>505,000</u>
Total General Obligation Bonds	<u>\$6,902,815</u>	<u>\$2,800,000</u>

C. Debt Service Requirements

The following schedule shows the debt service requirements for general obligation bonds, including interest of \$4.6 billion, as of June 30, 1984 (in thousands):

<u>Year Ending June 30</u>	<u>General Long-Term Obligations</u>	<u>Enterprise Funds</u>
1985	\$ 349,076	\$ 540,558
1986	328,436	517,146
1987	312,714	486,033
1988	295,546	451,091
1989	271,797	435,822
Thereafter	<u>1,812,692</u>	<u>5,716,741</u>
Total	<u>\$3,370,261</u>	<u>\$8,147,391</u>

12. Revenue Bonds and Notes Payable

With approval in advance from the State Legislature, certain state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the earnings of the respective enterprise funds of the agencies listed in Section B of this footnote or from resources of certain Plant Funds or Loan Funds of the University of California. The General Fund has no legal liability for payment of principal and interest on revenue bonds. However, in recent years, money has been appropriated from the General Fund for payment of the debt service on revenue bonds of the California Exposition and State Fair.

The Department of Water Resources, the California Transportation Commission, the State Public Works Board, and the California State University issued revenue bonds to acquire or construct state facilities. The California Housing Finance Agency, the Department of Veterans Affairs, the California National Guard, and the California Student Loan Authority issued revenue bonds to allow the State to make loans to finance housing development, to finance the acquisition of farms and homes by California veterans and National Guard members, and to purchase federally insured student loans from lending institutions. When loans financed by these revenue bonds are fully paid, the farms and homes become the property of private individuals or entities.



A. Changes in Bond Indebtedness

The following schedule summarizes the changes in revenue bond debt for the year ended June 30, 1984 (in thousands):

	Balance July 1, 1983	Additions	Deductions	Balance June 30, 1984
Enterprise Funds	\$3,060,614	\$524,301	\$ 92,948	\$3,491,967
University of California	<u>216,586</u>	<u>          </u>	<u>7,975</u>	<u>208,611</u>
Total Revenue Bonds	<u>\$3,277,200</u>	<u>\$524,301</u>	<u>\$100,923</u>	<u>\$3,700,578</u>

B. Revenue Bonds Outstanding

The following schedule shows revenue bonds outstanding as of June 30, 1984 (in thousands):

	<u>Outstanding</u>
<u>Enterprise Funds</u>	
California Housing Finance Agency	\$1,560,905
Department of Water Resources	972,551
Department of Veterans Affairs	524,600
California State University	159,898
California Student Loan Authority	121,475
California Transportation Commission	108,328
California National Guard	38,943
State Public Works Board-California Exposition and State Fair	<u>5,267</u>
Total Enterprise Funds	<u>3,491,967</u>
<u>University of California</u>	
Regents of the University of California	<u>208,611</u>
Total Revenue Bonds	<u>\$3,700,578</u>

Outstanding revenue bonds totaling \$7.18 million for Hastings College of the Law are not included in the accompanying financial statements.

C. Debt Service Requirements

The following schedule shows the debt service requirements for revenue bonds, including interest of \$6.4 billion and capital appreciation of \$514 million, as of June 30, 1984 (in thousands):

<u>Year Ending June 30</u>	<u>Enterprise Funds</u>	<u>University of California</u>
1985	\$ 367,711	\$ 17,338
1986	377,739	17,148
1987	373,514	17,086
1988	376,345	17,068
1989	367,954	17,138
Thereafter	<u>8,340,832</u>	<u>335,778</u>
Total	<u>\$10,204,095</u>	<u>\$421,556</u>

D. Notes Payable

Certain state agencies issued short-term notes, secured by specific revenue sources, to provide temporary financing. The following schedule shows outstanding notes payable as of June 30, 1984 (in thousands):

<u>Enterprise Funds</u>	<u>Outstanding</u>
California Housing Finance Agency	\$115,391
State Public Works Board	<u>3,433</u>
Total Notes Payable	<u>\$118,824</u>

E. Early Extinguishment of Debt

During July 1981, the California Transportation Commission satisfied a debt of \$20 million for San Francisco Bay Toll Bridge revenue bonds by depositing U.S. government securities in irrevocable escrow with the State Treasurer. These securities were purchased in May 1980 for \$18,295,313 and will be sufficient, with the interest that they earn, to redeem the revenue bonds upon maturity. The first and second installments of \$5 million each have since matured and have been paid from the escrow account.

Since the escrow arrangement effectively releases the California Transportation Commission from its obligation for the remaining \$10 million in revenue bonds, the liability for the bonds is not included in the financial statements.

13. No-Commitment Debt

The Legislature created various authorities to provide private entities with a low-cost source of capital financing for constructing facilities deemed to be in the public interest. This debt is secured solely by the credit of the private entities and is administered by trustees independent of the State. The State has no obligation for this debt. Accordingly, these bonds are not reported in the accompanying financial statements.

The following schedule shows no-commitment bonds outstanding as of June 30, 1984 (in thousands):

	<u>Outstanding</u>
Health Facilities	\$1,392,773
Pollution Control	1,157,252
Education Facilities	415,450
Alternate Energy Source	<u>18,430</u>
Total No-Commitment Debt	<u>\$2,983,905</u>

14. Grant to Los Angeles County

Pursuant to Chapter 1594, Statutes of 1982, the State awarded Los Angeles County a grant of \$200 million to fund the transition to a new system of providing medical assistance to medically indigent adults. One hundred million dollars was reserved in the General Fund and \$100 million will be added to the reserve during the 1984-85 fiscal year. The statutes require that Los Angeles County be paid the full amount of the grant in June 1985. Before the payment, however, the funds are a borrowable resource of the General Fund.

15. Commitments

A. Leases

The aggregate amount of lease commitments for facilities and equipment, excluding those of the University of California, in effect as of June 30, 1984, is approximately \$653 million. This amount does not include any future escalation charges for real estate taxes and operating expenses. Most state leases are classified as operating leases, and they contain clauses providing for termination. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

The State has also entered into some lease-purchase agreements to acquire office buildings and electronic data processing equipment. The acquisition or development of the office buildings is financed by joint powers authorities, nonprofit

corporations, and private corporations who then lease the facilities to the State. Upon expiration of these leases, title to the facilities and equipment will pass to the State.

The minimum lease commitments are summarized below (in thousands):

<u>Year Ending June 30</u>	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
1985	\$114,152	\$ 7,793	\$121,945
1986	90,649	6,962	97,611
1987	75,452	11,208	86,660
1988	53,137	11,142	64,279
1989	32,877	11,086	43,963
Thereafter	<u>142,319</u>	<u>96,261</u>	<u>238,580</u>
Total minimum lease payment	<u>\$508,586</u>	144,452	<u>\$653,038</u>
Less amounts representing interest		<u>70,023</u>	
Present value of net minimum lease payment		<u>\$ 74,429</u>	

Lease expenditures for the year ended June 30, 1984, amounted to approximately \$145 million.

University of California rental expenditures for the years ended June 30, 1984 and 1983, totaled \$34 million and \$38 million, respectively. Minimum payments required under capital and noncancellable operating leases in fiscal year 1984-85 are \$9.9 million and decrease in amount thereafter.

**B. Loans, Construction, and Grants**

As of June 30, 1984, loan programs for housing, school building aid, harbors and waterways, domestic water supply systems, and economic development had loan commitments totaling approximately \$562 million. These commitments are expected to be funded from existing program resources and from the proceeds of revenue and general obligation bonds to be issued. The State had commitments for approximately \$82 million for the construction of water projects and the construction and rehabilitation of toll bridge facilities. The State also had grant commitments for approximately \$94 million for the deferred maintenance on public schools and for the upgrading of domestic water supply systems.

Construction projects of the University of California, totaling \$66 million, had been authorized as of June 30, 1984. Of this amount, \$44 million will be funded from unexpended plant funds and \$22 million from other sources. These loan, construction, and grant commitments are not included in the accompanying financial statements.

C. Encumbrances

At June 30, 1984, encumbrances of the Special Revenue Funds totaled \$726 million. This amount does not include commitments of \$959 million for various highway projects because the future expenditures related to these commitments are expected to be reimbursed primarily from proceeds of approved federal grants. The ultimate liability will not accrue to the State.

16. Taxes

Summary of Major Tax Revenues

Tax revenues for the year ended June 30, 1984, are as follows (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>
Sales and use	\$ 8,638,833	\$768,313	
Personal income	9,225,351		
Bank and corporation	3,086,546		
Unemployment insurance			\$1,887,986
Disability insurance			992,201
Other	<u>1,501,017</u>	<u>41,402</u>	<u>12,936</u>
Total	<u>\$22,451,747</u>	<u>\$809,715</u>	<u>\$2,893,123</u>

17. Pension Trusts

A. General

The State administers five defined benefit contributory retirement plans: the Public Employees' Retirement System, the State Teachers' Retirement System, the University of California Retirement System, the Judges' Retirement System,

and the Legislators' Retirement System. The schedule below shows the number of members in each of the retirement plans as of June 30, 1984:

	<u>State</u>	<u>Other</u>	<u>Benefit Recipients</u>	<u>Total</u>
Public				
Employees'	185,478	347,055	216,843	749,376
State Teachers'	133	298,349	99,619	398,101
University of California	78,930		8,801	87,731
Judges'	804	503	776	2,083
Legislators'	182		200	382

These retirement systems are accounted for in separate funds. Except for the Legislators' Retirement System and the University of California Retirement System, these are statewide, multi-employer retirement plans. The following schedule presents a summary of the annual contributions to the retirement systems by the State, public agencies, and members for fiscal year 1983-84 (in thousands):

	<u>State</u>	<u>Public Agencies</u>	<u>Members</u>	<u>Total Contributions</u>
Public				
Employees'	\$769,761	\$856,802	\$510,898	\$2,137,461
State Teachers'	379,676	521,741	524,193	1,425,610
University of California	265,692		97,099	362,791
Judges'	15,423	3,636	6,565	25,624
Legislators'	644		277	921

The University of California Retirement System is reported as part of the University of California within the General Purpose Financial Statements. The other four systems are reported within the Fiduciary Fund Type.

B. Unfunded Actuarial Liability

Independent actuaries evaluate the adequacy of the financing of the five retirement systems. The contributions reported for the Public Employees' and the University of California retirement systems include amortization of the unfunded actuarial liability over a period not to exceed 30 years. The long-term financing requirements of the other three systems are significantly greater than the contributions provided in state law. The following schedule shows the unfunded

actuarial liability for the Public Employees', State Teachers', University of California, Judges', and the Legislators' retirement systems at the dates indicated (in millions):

	<u>Date of Last Actuarial Valuation</u>	<u>State Share of Unfunded Actuarial Liability</u>	<u>Total Unfunded Actuarial Liability</u>
Public Employees'	6/30/83	\$6,409	\$11,305
State Teachers'	6/30/83	Unknown	11,530
University of California	6/30/84	440	440
Judges'	6/30/80	Unknown	448
Legislators'	6/30/80	17	17

The Education Code requires the State to provide supplemental funding to the State Teachers' Retirement System in order to reduce that system's unfunded actuarial liability. This code requires that, beginning July 1, 1980, annual state contributions of \$144 million to the State Teachers' Retirement System be increased or decreased to reflect changes in the California Consumer Price Index. For the 1983-84 fiscal year, the \$144 million increased to \$209 million because of changes in the California Consumer Price Index. The Education Code also provides for additional annual contributions as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
1984-85	\$ 80 million	1990-91	\$200 million
1985-86	100 million	1991-92	220 million
1986-87	120 million	1992-93	240 million
1987-88	140 million	1993-94	260 million
1988-89	160 million	1994-95	280 million
1989-90	180 million	Thereafter	280 million

Beginning in fiscal year 1994-95, the additional annual contributions of \$280 million must be indexed to the California Consumer Price Index.

Pension expenses related to the University of California Retirement System were \$265.7 million (including \$20.5 million for special contribution and contributions to voluntary plans) for fiscal year 1983-84. Of this amount, all but \$60.3 million has been paid into the University of California Retirement System. The State has agreed to pay this amount in addition to \$4.5 million of other costs in actuarially equivalent annual installments over the next 30 years. This

\$64.8 million is recorded in the accompanying financial statements as a receivable and revenue from the State's General Fund. However, because this was not considered a liability of the General Fund as of June 30, 1984, the State did not report a corresponding liability for this commitment in the General Fund.

C. Change in Actuarial Assumptions

For fiscal year 1983-84, several changes were made in the actuarial methods and assumptions regarding the State Teachers' Retirement System and the University of California Retirement System. The changes resulted in a decreased actuarial liability for the State Teachers' Retirement System and in recognition of an actuarial liability for the University of California Retirement System.

18. Guaranty Deposits

The State is custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to assure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

19. Employee Benefits - Deferred Compensation Plan

The State has adopted a deferred compensation plan available to eligible state employees. Eligible employees may defer receiving portions of their salaries, thereby deferring taxation on those portions, until they are separated from service or face a serious financial emergency. The participants direct the plan administrator, the State, to invest the deferred amounts among ten investment options. The cost of administration and all funding are the responsibility of those participating in the plans. The State makes no contributions to the plan. However, the money in the plan is available for payment to the State's general creditors where permitted by the Legislature.

As of June 30, 1984, assets invested on behalf of the participants totaled approximately \$426 million. This amount is reported at cost plus accumulated earnings in an agency fund.

20. Segment Information - Enterprise Funds

Selected financial information by enterprise fund activity for major segments is shown in the schedule on the following page.



**ENTERPRISE FUND ACTIVITY  
BY MAJOR SEGMENTS  
(IN THOUSANDS)**

	Housing Loan	Water	State Compensation Insurance	Student Loans and School Building Aid	Toll Facilities	State University	Harbors and Waterways	Leasing of Public Assets	Other Enterprises
Operating Revenue	\$ 425,312	\$ 560,369	\$ 645,518	\$ 11,248	\$ 74,541	\$ 87,644	\$ 8,145	\$ 3,397	\$22,455
Operating Income or (Loss)	43,055	272,171	220,186	(40,161)	45,961	26,021	(3,243)	2,703	6,286
Net Income	34,162	266,386	220,186	11,321	62,449	21,906	12,152	3,084	9,335
Property, Plant, and Equipment									
Additions	260	43,748	13,455	3,808	22,754	21,654	9		33
Deductions									
									3
Total Assets	5,612,517	4,020,844	1,699,815	1,188,829	811,356	401,616	136,596	76,484	43,109
Bonds and Other Long-Term Liabilities									
Payable from operating revenues	4,896,972	2,785,191		1,229,787	132,710	159,898	2,671	8,699	384
Total Equity	410,849	1,059,419	486,003	(51,788)	673,262	207,427	121,903	67,610	38,856

The primary sources of Enterprise Fund revenues are as follows:

Housing Loan - Interest charged on contracts of sale of properties to California veterans and to California National Guard members, interest charged on program loans to finance the housing needs of persons and families of low and moderate income, loan origination fees, and interest earned on investments.

Water - Charges to local water districts, sale of excess power to public utilities, and interest earned on investments.

State Compensation Insurance - Premiums collected from California employers for insurance against workers' compensation claims and interest earned on investments. This information is as of and for the year ended December 31, 1983.

Student Loans and School Building Aid - Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities, income from the rental of portable classrooms to school districts, and interest charged on loans to students; \$50.9 million of the deficit results primarily from the write-down of loans receivable from school districts. The loans may be forgiven in accordance with statutory provisions.

Toll Facilities - Toll fees and interest earned on investments.

State University - Charges to students for housing and parking; student fees for campus unions, health centers, and self-supporting educational programs; and interest earned on investments.

Harbors and Waterways - Gasoline taxes related to boating activities, fees for boating registration and licensing, and interest earned on investments.

Leasing of Public Assets - Rental charges from the lease of public assets and interest earned on investments.

Other Enterprises - Canteen revenues and processing fees charged by various other departments and authorities.

## 21. Contingencies

### A. Litigation

The State is a party to numerous legal proceedings, many of which normally recur in governmental operations. The following were accrued as a liability in the financial statements: legal proceedings that were decided against the State before June 30, 1984; legal proceedings that were in progress at June 30, 1984, and that were settled or decided against the State as of December 15, 1984; and those legal proceedings having a high probability of resulting in a decision against the State as of December 15, 1984, and for which amounts could be estimated. For Governmental Fund Types, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability of the fund from which payment will be made; the remainder is shown as a liability of the General Long-Term Obligations Account Group. For other fund types, the entire liability is recorded in the fund involved. In addition, the State is involved in certain other legal proceedings that, if decided against the State, may require the State to make significant future expenditures or may impair future revenue sources. Because of the prospective nature of these proceedings, no provision for this potential liability has been made in the accompanying financial statements, nor can an estimate of the potential loss be made.

### B. Federal Audit Exceptions

The State of California receives substantial funding from the federal government in the form of grants and contracts. The State is entitled to these resources only if it complies with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; the State may spend these resources only for eligible purposes. If audits disclose exceptions, the State may incur a liability to the federal government.

### C. Insurance Program

The State has elected, with a few exceptions, to be self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. Except for the University of California, workers' compensation benefits for self-insured agencies are initially paid by the State Compensation Insurance Fund. The State Compensation Insurance Fund estimated the liability for future workers' compensation claims against the State's self-insured agencies to be approximately \$259 million as of June 30, 1984. This liability is included in the accompanying financial statements in the General Long-Term Obligations Account Group. The

University of California is also self-insured, but it has placed assets with an independent trustee for the payment of workers' compensation. These assets are reported in the accompanying financial statements along with the related liability for future payments.

## 22. Subsequent Events

On August 15, 1984, the State of California issued \$1.4 billion in revenue anticipation notes to fund the State's cash flow needs for the 1984-85 fiscal year. These notes were issued in three series and mature on June 28, 1985; however, Series A and Series B have optional redemption dates of December 28, 1984, and April 15, 1985, respectively.

From July 1, 1984, to December 15, 1984, the State sold \$760 million in general obligation bonds and \$651 million in revenue bonds. In addition, the State sold \$4.6 million in revolving credit agreements related to the California Housing Finance Agency and \$37 million in bond anticipation notes related to the State Public Works Board.

On November 6, 1984, California voters approved Proposition 37, which amended the State Constitution and authorized the establishment of a state-operated lottery. There are no available estimates of the funds, if any, that the lottery will provide during fiscal year 1984-85. The State Department of Finance estimates the lottery will provide \$300 million to the State's public education system in fiscal year 1985-86.

During the year, the University of California issued Certificates of Participation (certificates), totaling \$27.4 million. These newly issued certificates will refund previously outstanding certificates that financed the electronic telephone and telecommunications system at the Los Angeles campus. As of June 30, 1984, both certificates were outstanding. The refunding of the original certificates occurred in September 1984.

On December 12, 1984, the State Teachers' Retirement Board adopted a change in estimated rate of return on investments from 8.25 percent to 8.75 percent, which reduced the unfunded actuarial liability from \$11.5 billion to \$10.1 billion.

**STATISTICAL SECTION**

**STATE OF CALIFORNIA**  
**TAX REVENUE (LEGAL BASIS) BY SOURCE**  
**COMPARATIVE YIELD OF STATE TAXES**  
**FISCAL YEARS 1968-1984**  
**(IN THOUSANDS)**

Year Ending June 30	Sales and Use	Personal Income	Bank and Corporation*	Cigarette	Inheritance and Gift**	Insurance	Distilled Spirits	Horse Racing	Beer and Wine	Motor Vehicle Fuel***	Motor Vehicle Fees****
1968	\$1,464,927	\$ 952,487	\$ 576,874	\$219,272	\$135,554	\$121,155	\$ 81,700	\$ 54,799	\$13,196	\$ 580,487	\$ 437,918
1969	1,652,979	1,101,691	592,303	237,328	158,815	130,312	85,494	59,839	14,118	625,667	469,655
1970	1,753,611	1,152,053	587,013	236,878	164,299	136,733	89,793	58,244	16,115	668,537	498,992
1971	1,808,052	1,264,383	532,091	239,721	185,699	158,423	90,765	64,601	15,791	674,635	513,201
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	94,717	69,380	17,374	712,426	547,844
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	96,907	72,693	17,977	746,196	596,922
1974	2,675,738	1,831,964	1,057,191	258,921	231,934	201,697	100,554	78,289	18,758	742,702	644,448
1975	3,376,153	2,581,584	1,253,673	261,975	242,627	202,991	100,856	86,637	19,893	752,234	664,453
1976	3,742,524	3,089,963	1,286,515	268,610	316,648	241,224	104,697	96,117	20,616	766,555	749,936
1977	4,313,909	3,761,356	1,641,500	269,384	367,964	322,476	105,275	102,702	22,210	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	109,088	111,591	22,972	850,181	924,411
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	114,922	113,253	25,137	896,591	1,021,857
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	112,757	127,635	26,183	852,751	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,180	460,926	115,191	129,779	27,669	839,995	1,127,293
1982	7,689,023	7,493,005	2,648,735	276,824	495,251	484,196	111,151	123,626	28,372	833,347	1,372,556
1983	7,795,488	7,712,691	2,536,011	271,621	517,875	736,929	108,519	123,398	27,690	928,633	1,624,736
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,489	107,983	141,001	29,450	1,213,167	1,906,952

\*Includes the corporation income tax.

\*\*Proposition 6 of 1982 repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable federal estate tax credit, effective for decedents dying on or after June 9, 1982.

\*\*\*Motor vehicle fuel tax (gasoline) and use fuel tax (diesel and liquefied petroleum gas).

\*\*\*\*Registration and weight fees, motor vehicle license fees, and other fees.

Source: Department of Finance, State Controller

**STATE OF CALIFORNIA  
RATIO OF GENERAL LONG-TERM  
BONDED DEBT TO PER CAPITA INCOME  
FISCAL YEARS 1978-1984**

<u>Year Ending June 30</u>	<u>General Long-Term Bonded Debt (In Thousands)</u>	<u>Per Capita Debt</u>	<u>Per Capita Income</u>	<u>Ratio: Per Capita Debt to Per Capita Income</u>
1978	\$1,680,644	\$73.59	\$ 8,786	.84%
1979	1,727,920	74.30	9,859	.75
1980	1,755,886	73.87	11,021	.67
1981	1,685,352	69.59	12,105	.57
1982	1,791,913	72.56	12,617	.58
1983	2,074,159	82.39	13,257	.62
1984	2,234,900	87.20	14,592	.60

Sources: 1978-84, State Controller's Annual Reports; 1982, U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance estimates.

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL TO STATE POPULATION  
CALENDAR YEARS 1940-1984**

<u>Year</u>	<u>United States Population</u>	<u>Average Annual Percentage Increase</u>	<u>California Population</u>	<u>Average Annual Percentage Increase</u>	<u>California as Percent of United States</u>
1940	132,457,000		6,950,000		5.2%
1950	151,868,000	1.4%	10,643,000	4.4%	7.0
1960	179,979,000	1.7	15,863,000	4.1	8.8
1970	203,984,000	1.3	20,039,000	2.4	9.8
1980	227,158,000	1.1	23,771,000	1.7	10.5
1981	229,348,000	1.0	24,220,000	1.9	10.6
1982	231,786,000	1.0	24,697,000	2.0	10.7
1983	233,981,000	.9	25,174,000	1.9	10.8
1984	236,108,000	.9	25,631,000	1.8	10.9

Sources: U.S. Department of Commerce, Bureau of the Census, Current Population Reports; California Department of Finance estimates.

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL  
TO STATE PERSONAL INCOME  
CALENDAR YEARS 1970-1983**

Year	United States		California		California as a Percent of United States
	Personal Income (In Millions)	Percent Change	Personal Income (In Millions)	Percent Change	
1970	\$ 803,922		\$ 90,295		11.2%
1971	861,904	7.2%	95,653	5.9%	11.1
1972	944,852	9.6	104,191	8.9	11.0
1973	1,058,902	12.1	114,690	10.1	10.8
1974	1,162,203	9.8	128,142	11.7	11.0
1975	1,258,643	8.3	141,046	10.1	11.2
1976	1,385,201	10.1	156,940	11.3	11.3
1977	1,534,708	10.8	175,737	12.0	11.5
1978	1,726,185	12.5	202,295	15.1	11.7
1979	1,942,650	12.5	231,433	14.4	11.9
1980	2,156,710	11.0	261,964	13.2	12.1
1981	2,420,030	12.2	293,191	11.9	12.1
1982	2,575,831	6.4	311,607	6.3	12.1
1983	2,734,122	6.1	333,741	7.1	12.2

Sources: 1970-1983, U.S. Department of Commerce, Bureau of Economic Analysis. (Data for United States represent the total for the 50 states and the District of Columbia.)

Note: The percent change is an average annual rate.



**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL TO STATE  
PER CAPITA PERSONAL INCOME  
CALENDAR YEARS 1970-1983**

<u>Year</u>	<u>United States</u>		<u>California</u>		<u>California as a Percent of United States</u>
	<u>Per Capita Personal Income</u>	<u>Percent Change</u>	<u>Per Capita Personal Income</u>	<u>Percent Change</u>	
1970	\$ 3,945		\$ 4,510		114.3%
1971	4,167	5.6%	4,701	4.2%	112.8
1972	4,515	8.4	5,062	7.7	112.1
1973	5,010	11.0	5,496	8.6	109.7
1974	5,448	8.7	6,052	10.1	111.1
1975	5,842	7.2	6,549	8.2	112.1
1976	6,367	9.0	7,155	9.3	112.4
1977	6,984	9.7	7,863	9.9	112.6
1978	7,772	11.3	8,857	12.6	114.0
1979	8,651	11.3	9,952	12.4	115.0
1980	9,494	9.7	11,021	10.7	116.1
1981	10,544	11.1	12,105	9.8	114.8
1982	11,113	5.4	12,617	4.2	113.5
1983	11,685	5.1	13,257	5.1	113.5

Sources: 1970-1983, U.S. Department of Commerce, Bureau of Economic Analysis; 1983, California Department of Finance estimates.

Note: The percent change is an average annual rate.

**STATE OF CALIFORNIA  
CIVILIAN LABOR FORCE  
FOR RESIDENT POPULATION  
AGE 16 AND OVER  
CALENDAR YEARS 1973-1983**

<u>Year</u>	<u>Labor Force Trends</u> (In Thousands)			<u>Unemployment Rate</u>	
	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>United States</u>	<u>California</u>
1973	8,909	8,285	624	4.9%	7.0%
1974	9,316	8,637	679	5.6	7.3
1975	9,538	8,597	941	8.5	9.9
1976	9,895	8,989	906	7.7	9.2
1977	10,365	9,512	852	7.1	8.2
1978	10,910	10,135	775	6.1	7.1
1979	11,266	10,565	702	5.8	6.2
1980	11,583	10,793	790	7.1	6.8
1981	11,811	10,937	874	7.6	7.4
1982	12,184	10,973	1,211	9.7	9.9
1983	12,333	11,141	1,192	9.6	9.7

Source: California Employment Development Department.

**STATE OF CALIFORNIA  
PERSONS EMPLOYED IN  
PRINCIPAL MANUFACTURING INDUSTRIES  
CALENDAR YEARS 1977 AND 1983  
(IN THOUSANDS)**

Industry	1977	1983	Percent Change
Instruments and related products	71.6	104.6	46.1
Electric and electronic equipment	251.8	360.2	43.1
Printing and publishing	103.3	129.1	25.0
Machinery, except electrical	177.6	221.3	24.6
Petroleum and coal products	25.5	31.2	22.4
Transportation equipment	237.9	259.2	9.0
Rubber and miscellaneous plastic products	59.0	62.8	6.4
Furniture and fixtures	49.3	52.4	6.3
Chemicals and allied products	61.0	62.6	2.6
Apparel	101.3	103.3	2.0
Fabricated metal products	135.4	136.1	.5
Paper and allied products	37.4	37.2	(.5)
Food and kindred products	178.8	175.0	(2.1)
Stone, clay, and glass products	53.7	48.8	(9.1)
Textile mill products	14.8	13.0	(12.2)
Leather and leather products	10.8	9.4	(13.0)
Primary metal products	54.3	43.2	(20.4)
Lumber and wood products	66.4	50.7	(23.6)
Miscellaneous	38.4	41.6	8.3
Total	<u>1,728.3</u>	<u>1,941.7</u>	12.3

Sources: U.S. Department of Commerce, Bureau of the Census; California Employment Development Department

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps