

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**STATE OF CALIFORNIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 1983**



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Thomas W. Hayes
Auditor General

STATE OF CALIFORNIA
Office of the Auditor General

660 J STREET, SUITE 300
SACRAMENTO, CALIFORNIA 95814

January 24, 1984

F-300

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 respectfully submits the "State of California Financial Report Year Ended June 30, 1983."

We have expanded this year's financial report to provide information about the State's activities and important economic trends, as well as the State's current financial position. This year's report includes an introductory section with an overview prepared by the State Controller; a financial section with the State's General Purpose Financial Statements and supplementary information; and a statistical section with important labor, income, and population statistics.

The accompanying General Purpose Financial Statements are presented on a basis in conformity with generally accepted accounting principles (GAAP) to provide comparability with other states and government entities.

The State also issues statements prepared in accordance with legal and regulatory requirements. We have reconciled the differences between these two bases of accounting. The reconciliation and explanatory notes are presented in the supplementary information section of this report. Because this difference will continue until the State's legal basis of accounting is in conformance with GAAP, I recommend that the Legislature amend Government Code Sections 12460 and 13300 to correct this deficiency and bring the State into compliance with GAAP.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thomas W. Hayes".

THOMAS W. HAYES
Auditor General

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

F-300

STATE OF CALIFORNIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 1983

JANUARY 1984

STATE OF CALIFORNIA
FINANCIAL REPORT
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INTRODUCTORY SECTION



KENNETH CORY

Controller of the State of California

SACRAMENTO, CALIFORNIA 95805

January 12, 1984

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 in compliance with existing State laws and State accounting principles, should continue to be used as the focal point for past execution of the State's budget as well as for future budget planning.

Although the General Fund was in a deficit in excess of \$608,000,000 at the end of the 1982-83 Fiscal Year on a legal/budgetary basis and a new borrowing was necessary in late summer, the economic turnaround in the latter half of the calendar 1983 enabled the General Fund to begin a march back toward stability.

While there are unanswered questions about the depth and duration of the economic recovery, the State's fiscal situation has moved from critical to hopeful. To ensure that future economic downturns can be met more easily, I urge everyone involved to give utmost consideration to establishing a prudent reserve system.

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,

A handwritten signature in black ink that reads "Kenneth Cory".

KENNETH CORY
State Controller

KC/wl
Attachment

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). The statements were prepared according to guidelines prescribed in the "Governmental Accounting and Financial Reporting Principles" issued by the National Council on Governmental Accounting.

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 past 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. Had any material errors in the legal basis financial data or any material violations of finance-related legal or contractual provisions been known to exist, the errors or violations would have been disclosed in the notes to the audited financial statements.

A reconciliation of the differences between the two accounting bases for the General Fund, along with an explanation of the primary differences, is provided on pages 44 and 45 of this report. A reconciliation of the differences between the two accounting bases for the state funds classified for GAAP purposes as "Special Revenue" funds is provided on page 46 of the report.

By statute, the Auditor General is required annually to issue an auditor's report on the State's General Purpose Financial Statements (GAAP report). The 1983 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, 1983, is provided in the footnotes (note 7, page 26) 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 Deficit

When the 1982-83 Fiscal Year Budget was enacted, the Department of Finance estimate projected a \$464 million legal basis surplus for the year. However, the State ended the 1982-83 fiscal year with a General Fund undesignated fund balance (deficit) of approximately \$608 million according to the legal basis of accounting, and \$1,083 million according to the GAAP basis of accounting. The General Fund legal basis and GAAP basis deficits are reconciled on pages 44 and 45 of this report. The difference between the actual legal basis deficit and the projected legal basis surplus is mainly attributed to three factors:

An unanticipated revenue shortfall for the previous fiscal year of approximately \$185 million;

The recession in 1982-83 caused a decline in taxable sales and corporate profits, which in turn led to a revenue shortfall of approximately \$1.451 billion; and

An unexpected expenditure overrun of approximately \$460 million due largely to court-imposed restrictions on the State's ability to limit Medi-Cal cost increases and other health and welfare overrides.

The above conditions would have caused an even larger year-end deficit if the State had not taken action in February 1983. Anticipating a budget deficit of about \$1.457 billion, the State enacted Assembly Bill 28X (Chapter 10 of the First Extraordinary Session of 1983), which provided for a reduction of the projected deficit by \$600 million by accelerating certain tax collections and by deferring and reducing certain state expenditures. The legislation also allowed the remainder of the deficit to be carried over to the 1983-84 fiscal year. To ensure that the deficit was fully paid during 1983-84, the legislation contained a "sales tax trigger" provision that automatically provided for a temporary sales tax increase of 1¢ if certain economic conditions were not met by October 1983 and by January 1984.

Because of subsequent improvement in the State's economy, the "sales tax trigger" provision did not go into effect during October 1983. It is not expected that this provision will be necessary in January 1984.

Cash Flow Deficit

During the 1982-83 fiscal year, the General Fund budget deficit was accompanied by recurrent cash flow shortages that necessitated extensive internal borrowings (from special funds, as authorized by statute). In addition, the State in 1982-83 borrowed and repaid

\$400 million in registered reimbursement warrants and \$850 million in Revenue Anticipation Notes, 1983 Series A ("Series A Notes"). The State borrowed this money by issuing the warrants and notes to outside lenders.

Cash Borrowing Subsequent to 1982-83

In August 1983, the State issued \$1.2 billion in Revenue Anticipation Notes, 1983 Series B ("Series B Notes"). The Series B Notes bear interest at an average rate of 6.18 percent and mature as follows: \$500 million on December 15, 1983, \$500 million on April 16, 1984, and \$200 million on June 15, 1984. In conjunction with the issuance of the notes, the State has entered into a Liquidity Support Agreement with a group of bankers in the amount of \$1.2 billion. The agreement provides that, if solicited by the State Controller, the banks will make bids to the State Controller before any maturity date of the Series B Notes in order to provide sufficient monies to make payments when the notes mature.

According to the latest cash flow projection prepared by the State Controller's Office, the General Fund is expected to be able to meet all of its payment obligations relevant to the Series B Notes without having to resort to further external borrowings.

Recent Economic Trends

During 1982-83, California's economy was adversely affected by the recession, which in turn caused the significant General Fund revenue shortfall. However, by mid-1983, an economic recovery was underway as evidenced by the following:

Lower unemployment rate -- decreasing from a peak of 11.2 percent in February 1983 to 8.3 percent in December 1983.

More housing starts -- increasing from an annual rate of less than 70,000 during 1982 to a rate of 208,400 by June 1983.

More significantly, accompanying somewhat lower interest rates, the State's rate of inflation has shown a definite trend of decline in recent months. The California Consumer Price Index (CPI), a composite of the indices of the State's three largest metropolitan areas, reached a peak in June 1982 and declined for the next six months. As of June 1983, the California CPI had declined by 1.2 percent from the previous year. These current economic trends are consistent with a stable, moderate recovery.

**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

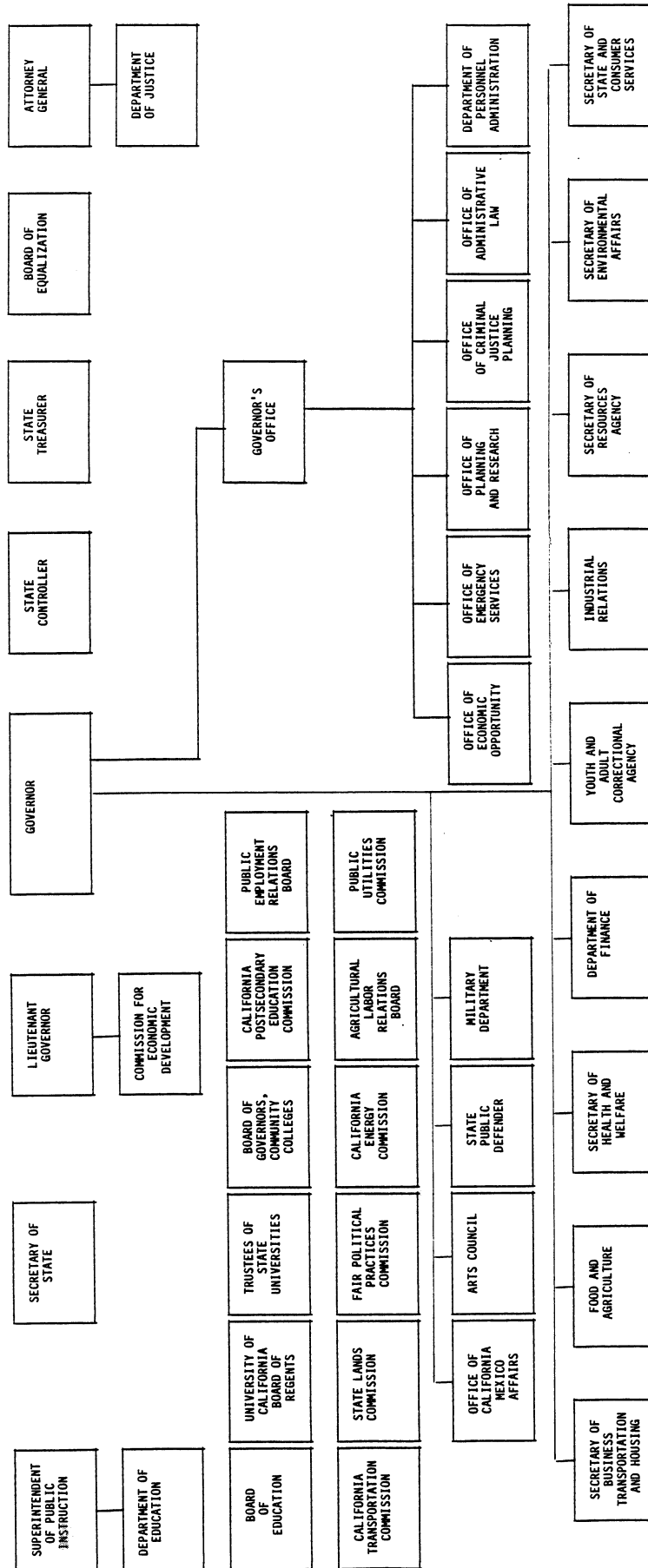
David Roberti
President pro Tempore, Senate

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



Telephone:
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Thomas W. Hayes
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, 1983, as presented on pages 11 through 18. 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 73 percent of the Fiduciary Funds. We also did not examine the financial statements of certain Enterprise Funds, which reflect total assets and revenues constituting 53 percent and 68 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, the 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, if any, 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, 1983, 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 which, except for the changes, with which we concur, in the recognition of depreciation and the recognition of interest earned on capital costs as described in Note 3 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the General Purpose Financial Statements taken as a whole. The supplementary information listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements and, in our opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

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



KARL W. DOLK, CPA
Assistant Auditor General

December 22, 1983

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF CALIFORNIA
COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUP
AS OF JUNE 30, 1983
(IN THOUSANDS)

ASSETS

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Type	Account Group	University of California	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise				
Cash and pooled investments	\$ 122,849	\$ 430,980	\$ 207,638	\$ 137,831	\$ 5,197,318		\$ 591,136	\$ 6,722,148
Investments				1,915,231	31,145,281		3,621,173	36,681,685
Amount on deposit with U.S. Treasury								
Receivables	115,456	68,700	20	3,776,492	2,264,165		446,341	2,264,165
Due from other funds	867,560	1,297,166	34,213	882,905	1,645,520		3,706	6,062,782
Due from other governments	15,500	870,379	1,672	17,587	2,693,827		54,450	5,874,071
Prepaid expenses	167,667	193,833	1,560	4,668	30,383			990,602
Inventory, at cost				7,321	76,776			451,334
Other assets	26	8,141		32,057				39,378
Advances and loans receivable	605,361	486,589		11,135	35,077		195,045	250,032
Restricted assets				1,333,636	106,263		40,554	2,573,188
Deferred capital cost recovery				527,366				527,366
Fixed assets				547,038				547,038
Provision for long-term obligations				3,665,540	781		3,749,618	7,494,729
Total Assets	\$ 1,894,419	\$ 3,355,788	\$ 245,103	\$ 12,826,750	\$ 43,195,391	\$ 2,277,031	\$ 8,702,023	\$ 72,755,549

LIABILITIES AND FUND EQUITY

Liabilities								
Accounts payable	\$ 299,163	\$ 310,259	\$ 31,178	\$ 51,865	\$ 2,182,990		\$ 444,705	\$ 3,362,977
Agreements to repurchase securities				44,891	693,263			693,263
Payable from restricted assets				60,703				44,891
Due to other funds	1,458,915	1,062,194	9,114	42,784	3,236,655		3,706	5,874,071
Due to other governments	192,170	175,435	2,306	331	1,841,985			2,219,981
Dividends payable				91,000				91,000
Advances from other funds		1,814		976,485	40,193		40,554	1,087,103

Advances from other governments							85,168	85,168
Tax overpayments	134,701						145,725	145,725
Benefits payable		240					1,191,898	1,191,898
Deposits							545,853	545,853
Notes payable							172,691	172,691
Mortgages and other borrowings							125,731	125,731
Capital lease obligations							56,072	56,072
Advance collections	20,679		303,032				35,548	35,548
General obligation bonds payable							2,074,159	2,074,159
Revenue bonds payable							216,586	216,586
Bond interest payable								152,272
Other liabilities	34,384			178				346,542
Total Liabilities	2,140,252		1,852,734	42,776			951,998	26,544,533
Fund Equity								
Contributed capital								19,613
Investment in general fixed assets								3,419,222
Retained earnings								202,347
Reserved for regulatory requirements								2,453,871
Unreserved								761,198
Fund balances								1,165,626
Reserved for encumbrances	144,544		549,099	67,555				34,642,522
Reserved for advances and loans	605,361		486,589					527,700
Reserved for employees' retirement system								
Reserved for other specific purposes								
Unreserved								
Designated for subsequent years' expenditures	87,058			62,005				149,063
Designated for University of California								568,600
Undesignated (deficit)	(1,082,796)		467,366	72,767				2,301,254
Total Fund Equity	(245,833)		1,503,054	202,327			7,750,025	46,211,016
Total Liabilities and Fund Equity	\$ 1,894,419		\$ 3,355,788	\$ 245,103			\$ 8,702,023	\$ 72,755,549

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, 1983
 (IN THOUSANDS)

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues					
Taxes	\$19,723,611	\$ 611,553		\$2,331,197	\$22,666,361
Intergovernmental	32,203	7,448,840		53,866	7,534,909
Licenses and permits	117,292	712,626			829,918
Natural resources	146,016	146,615	\$ 77,622		370,253
Charges for services	61,698	58,970		72,470	193,138
Fees	218,369	104,549			322,918
Penalties	19,057	54,830			73,887
Interest	249,075	212,185	493	314,170	775,923
Miscellaneous	99,142	320,383		116,571	536,096
Total Revenues	20,666,463	9,670,551	78,115	2,888,274	33,303,403
Expenditures					
Current					
General government	654,276	525,685		70,216	1,250,177
Education	11,005,385	932,385		23,458	11,961,228
Health and welfare	6,760,539	5,728,527		3,628,919	16,117,985
Resources	313,714	198,728		153,970	666,412
State and consumer services	173,277	139,249		5,816	318,342
Business and transportation	45,877	1,908,805		32,007	1,986,689
Correctional programs	719,340	13,759			733,099
Property tax relief	1,351,061				1,351,061
Capital outlay		397,791	174,077		571,868
Debt service					
Principal retirement	152,754				152,754
Interest and fiscal charges	131,592				131,592
Total Expenditures	21,307,815	9,844,929	174,077	3,914,386	35,241,207
Other Financing Sources (Uses)					
Proceeds from general obligation bonds		200,000	110,000	125,000	435,000
Operating transfers in	445,714	324,572	77,687	8,100	856,073
Operating transfers out	(123,188)	(498,610)	(38,131)	(420)	(660,349)
Total Other Financing Sources	322,526	25,962	149,556	132,680	630,724
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(318,826)	(148,416)	53,594	(893,432)	(1,307,080)
Fund Balances, July 1, 1982	72,993	1,651,470	148,733	3,811,025	5,684,221
Fund Balances, June 30, 1983	\$ (245,833)	\$1,503,054	\$202,327	\$2,917,593	\$ 4,377,141

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, 1983
 (IN THOUSANDS)

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>	
Operating Revenues				
Services and sales	\$ 479,936	\$348,390		\$ 828,326
Earned premiums, net	421,827			421,827
Investment and interest	146,895		\$ 3,179,253	3,326,148
Contributions			3,025,880	3,025,880
Miscellaneous	<u>1,980</u>		<u>16,950</u>	<u>18,930</u>
Total Operating Revenues	<u>1,050,638</u>	<u>348,390</u>	<u>6,222,083</u>	<u>7,621,111</u>
Operating Expenses				
Personal services	91,093	115,904	20,899	227,896
Supplies	23,334	41,739		65,073
Services and charges	135,291	158,798	13,048	307,137
Depreciation	27,863	6,381		34,244
Benefit payments	296,195		1,843,653	2,139,848
Refunds			<u>149,851</u>	<u>149,851</u>
Total Operating Expenses	<u>573,776</u>	<u>322,822</u>	<u>2,027,451</u>	<u>2,924,049</u>
Operating Income	<u>476,862</u>	<u>25,568</u>	<u>4,194,632</u>	<u>4,697,062</u>
Nonoperating Revenues (Expenses)				
Grants	1,307			1,307
Interest revenue	510,252	419		510,671
Rent	3,250			3,250
Interest expense and fiscal charges	(441,376)	(194)		(441,570)
Gain on early extinguishment of debt	<u>9,165</u>			<u>9,165</u>
Total Nonoperating Revenues and Expenses	<u>82,598</u>	<u>225</u>		<u>82,823</u>
Operating transfers in	13,318			13,318
Operating transfers out	<u>(21,521)</u>			<u>(21,521)</u>
Operating Transfers	<u>(8,203)</u>			<u>(8,203)</u>
Income before the net cumulative effect of changes in accounting principles	551,257	25,793	4,194,632	4,771,682
Net cumulative effect on prior years due to changes in accounting principles	<u>93,962</u>			<u>93,962</u>
Net Income	645,219	25,793	4,194,632	4,865,644
Dividends paid	(228,759)			(228,759)
Retained Earnings/Fund Balances, July 1, 1982	<u>2,101,575</u>	<u>112,390</u>	<u>27,213,387</u>	<u>29,427,352</u>
Retained Earnings/Fund Balances, June 30, 1983	<u>\$2,518,035</u>	<u>\$138,183</u>	<u>\$31,408,019</u>	<u>\$34,064,237</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, 1983
(IN THOUSANDS)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	
Sources of Funds				
From operations				
Net income	\$ 645,219	\$25,793	\$ 4,194,632	\$ 4,865,644
Add (deduct) items not affecting cash				
Depreciation	27,863	6,381		34,244
Amortization of bond and note discount and premium	(1,122)		(173,718)	(174,840)
Loss on sale of investments	1,012			1,012
Gain on early extinguishment of debt	(9,165)			(9,165)
Accrual of capital cost recovery	(59,595)			(59,595)
Net cumulative effect on prior years due to changes in accounting principles	(93,962)			(93,962)
Funds Provided from Operations	510,250	32,174	4,020,914	4,563,338
Proceeds from investments	62,555		88,816,120	88,878,675
Proceeds from sale of fixed assets		719		719
Advances from other funds	8,619	353		8,972
Collection of loans receivable	199,851			199,851
Proceeds from bonds and notes	1,380,790			1,380,790
Decreases in current assets				
Receivables		4,526		4,526
Due from other governments	5,198	411		5,609
Inventory		1,300		1,300
Other assets		2,473	772	3,245
Increases in current liabilities				
Accounts payable		13,393		13,393
Payable from restricted assets	870			870
Due to other funds		13,660		13,660
Due to other governments	3,294	225		3,519
Dividends payable	52,900			52,900
Benefits payable	2,727		15,180	17,907
Advance collections	7,771	2,765		10,536
Bond interest payable	36,246			36,246
Other liabilities			28,495	28,495
Total Funds Provided	2,271,071	71,999	92,881,481	95,224,551
Application of Funds				
Purchase of investments	414,816		92,813,235	93,228,051
Advances to other funds	5,625	434		6,059
Loans provided	93,492			93,492
Acquisition of fixed assets	272,826	21,899	14	294,739
Payments on advances from other funds	140,195	3,228		143,423
Dividends paid	228,759			228,759
Payments on notes	359,766			359,766
Retirement of bonds	350,379			350,379
Increases in current assets				
Receivables	246,075		49,140	295,215
Due from other funds	47,835	30,694		78,529
Prepaid expenses	4,668	6,830		11,498
Inventory	4,867			4,867
Other assets	567			567
Restricted assets	113,706			113,706
Decreases in current liabilities				
Accounts payable	1,810			1,810
Due to other funds	670			670
Other liabilities	1,402	2,968		4,370
Total Funds Applied	2,287,458	66,053	92,862,389	95,215,900
Net Increase (Decrease) in Cash	\$ (16,387)	\$ 5,946	\$ 19,092	\$ 8,651

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA
COMBINED BALANCE SHEET
ALL UNIVERSITY OF CALIFORNIA FUNDS
AS OF JUNE 30, 1983
(IN THOUSANDS)**

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment & Similar Funds</u>	<u>Plant Funds</u>	<u>Retirement System Funds</u>	<u>Total</u>
ASSETS						
Cash and pooled investments	\$342,027	\$ 20,182	\$ 3,325	\$ 223,292	\$ 2,310	\$ 591,136
Investments			387,385		3,233,788	3,621,173
Receivables	262,170	159,181	1		24,989	446,341
Due from other funds					3,706	3,706
Due from other governments	54,450					54,450
Other assets	193,728			1,317		195,045
Advances and loans receivable			40,554			40,554
Fixed assets				3,749,618		3,749,618
Total Assets	<u>\$852,375</u>	<u>\$179,363</u>	<u>\$431,265</u>	<u>\$3,974,227</u>	<u>\$3,264,793</u>	<u>\$8,702,023</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$398,483		\$ 661	\$ 15,271	\$ 30,290	\$ 444,705
Due to other funds	3,706					3,706
Advances from other funds	497	\$ 2,000		38,057		40,554
Advances from other governments		85,168				85,168
Mortgages and other borrowings				125,731		125,731
Advance collections	35,046		502			35,548
Revenue bonds payable		24,540		192,046		216,586
Total Liabilities	<u>437,732</u>	<u>111,708</u>	<u>1,163</u>	<u>371,105</u>	<u>30,290</u>	<u>951,998</u>
Fund Equity						
Investment in general fixed assets				3,419,222		3,419,222
Fund balances						
Reserved for employees' retirement system					3,234,503	3,234,503
Reserved for other specific purposes	158,409	29,161	265,097	75,033		527,700
Unreserved Designated for University of California	<u>256,234</u>	<u>38,494</u>	<u>165,005</u>	<u>108,867</u>		<u>568,600</u>
Total Fund Equity	<u>414,643</u>	<u>67,655</u>	<u>430,102</u>	<u>3,603,122</u>	<u>3,234,503</u>	<u>7,750,025</u>
Total Liabilities and Fund Equity	<u>\$852,375</u>	<u>\$179,363</u>	<u>\$431,265</u>	<u>\$3,974,227</u>	<u>\$3,264,793</u>	<u>\$8,702,023</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, 1983
 (IN THOUSANDS)

Revenues	
Tuition and fees	\$ 276,371
Federal appropriations, grants, and contracts	537,013
State appropriations, grants, and contracts	1,170,342
Private gifts, grants, and contracts	129,499
Sales and services	
Educational activities	198,648
Auxiliary enterprises	194,642
Teaching hospitals	580,406
Local government	26,913
Major Department of Energy laboratories	1,278,797
Other	<u>117,077</u>
Total Revenues	<u>4,509,708</u>
Expenditures	
Instruction	792,886
Research	571,856
Public services	87,912
Academic support	292,274
Teaching hospitals	614,435
Student services	116,025
Institutional support	170,443
Operation and maintenance of plant	157,411
Student financial aid	107,443
Auxiliary enterprises	165,356
Major Department of Energy laboratories	1,273,331
Other	<u>8,735</u>
Total Expenditures	<u>4,358,107</u>
Other Financing Sources (Uses)	
Transfers in	51,208
Transfers out	<u>(149,380)</u>
Total Other Financing Sources (Uses)	<u>(98,172)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	53,429
Fund Balances, July 1, 1982	<u>361,214</u>
Fund Balances, June 30, 1983	<u>\$ 414,643</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, 1983
(IN THOUSANDS)**

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment & Similar Funds</u>	<u>Plant Funds</u>	<u>Retirement System Funds</u>	<u>Totals (Memorandum Only)</u>
Revenues and Other Additions						
Unrestricted current fund revenues						
General	\$1,692,497					\$1,692,497
Auxiliary enterprise and hospital	775,048					775,048
Restricted gifts, grants, and						
contracts	1,925,086	\$ 368	\$ 12,082	\$ 16,768		1,954,304
Investment and interest income	64,168	1,579	2,060	13,604	\$ 221,271	302,682
Net gain (loss) on sale of						
investments	(1,175)		13,678	343	44,133	56,979
Governmental grants and contracts				3,501		3,501
Student debt service fees				1,689		1,689
Governmental appropriations				13,288		13,288
Expended for plant facilities						
(including \$221,254 financed						
from current funds)				315,991		315,991
Retirement of indebtedness				15,587		15,587
Contributions to retirement system						
University					268,500	268,500
Member					79,880	79,880
Other	54,084	2,237	1,485	13,966	480	72,252
Total Revenues and Other						
Additions	<u>4,509,708</u>	<u>4,184</u>	<u>29,305</u>	<u>394,737</u>	<u>614,264</u>	<u>5,552,198</u>
Expenditures and Other Deductions						
Current fund expenditures	4,349,372					4,349,372
Plant fund expenditures				99,604		99,604
Debt service						
Principal retirement				15,587		15,587
Interest				13,975		13,975
Disposals of plant assets				48,146		48,146
Retirement system expenditures						
Benefits					55,148	55,148
Withdrawals					25,753	25,753
Other	8,735	3,125	166	1,088	4,805	17,919
Total Expenditures and						
Other Deductions	<u>4,358,107</u>	<u>3,125</u>	<u>166</u>	<u>178,400</u>	<u>85,706</u>	<u>4,625,504</u>
Transfers in (out)	(98,172)	6,358	(1,281)	93,095		
Net Increase in fund balances	53,429	7,417	27,858	309,432	528,558	926,694
Fund Balances, July 1, 1982	361,214	60,238	402,244	3,293,690	2,705,945	6,823,331
Fund Balances, June 30, 1983	<u>\$ 414,643</u>	<u>\$67,655</u>	<u>\$430,102</u>	<u>\$3,603,122</u>	<u>\$3,234,503</u>	<u>\$7,750,025</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, and state colleges and universities. The scope of the reporting entity was determined in accordance with the provisions contained in Statement 3, Defining the Governmental Reporting Entity, prescribed by the National Council on Governmental Accounting for fiscal years ending after December 31, 1982. The University of California was not reported in the General Purpose Financial Statements of the State for the year ended June 30, 1982. The financial statements of the University of California as of and for the year ended June 30, 1982, reflected total assets of \$7.7 billion, total revenues and other additions of \$5.1 billion, and total expenditures and other deductions of \$4.4 billion.

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, 1983. Except for the University of California, as explained below, the financial statements have been prepared in conformity with generally accepted accounting principles 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, 1983, 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, 1982. The State Compensation Insurance Fund represents 12 percent and 36 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 for the acquisition or construction of 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 costs 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 the following:

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 not recorded in Enterprise or University of California Funds. These obligations are 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 endowment 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 are received and expenditures are recorded at the time the liabilities are incurred, with the following exceptions:

- Intergovernmental revenues are recorded as earned;
- Interest receivable and revenues receivable that have been billed and that are estimated to be collected during the following fiscal year are accrued at June 30. Receivables for which collection is indefinite or which will not be collected in the following year are not reported in the financial statements;
- Interest on long-term debt is recorded when due; and
- Vacation leave expenditures are recorded when paid because there is no satisfactory basis for determining the accumulated liability.

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 at June 30, 1983, 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. Investments are shown at amortized cost.

University of California

The University of California funds are accounted for on the accrual basis of accounting. Certain immaterial deferrals and accruals 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

Property, plant, and equipment are stated either at cost or at fair market value at the date of acquisition. Toll facilities, constituting 13.3 percent of these assets, are not depreciated because they are maintained to provide indefinite useful lives. Most of the remaining assets are depreciated over their estimated service lives using the straight-line method of depreciation.

University of California

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

3. Changes in Accounting Principles

In fiscal year 1982-83, the State began to use depreciation accounting for the water projects included in the Enterprise Fund Type. In previous years, the State did not depreciate the water projects. The change was adopted so that the State's accounting method for the water projects would more closely conform to the method used by public utilities. The major assets of the water projects are depreciated on a straight-line basis over 100 years. In fiscal year 1982-83, the State began to record the accrued interest earned on capital costs incurred for water projects that will be billed to water contractors in the future. The effect of these changes in accounting principles was to increase revenue and expense of current-year operations by \$17,330,029 and \$26,427,000, respectively, resulting in a decrease in net income of \$9,096,971 relative to the amounts that would have been recorded if the changes had not been made.

The following schedule presents the cumulative effect of these changes in accounting principles on the results of operations in prior years (in thousands):

Cumulative effect of adoption of depreciation method	\$(317,367)
Cumulative effect of accrual of interest earned on unbilled costs	<u>411,329</u>
Net cumulative effect on prior years	<u>\$ 93,962</u>

4. 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. Additionally, the State Treasurer and the Treasurer of the Regents of the University of California sell and purchase securities under agreements to repurchase or resell the securities at later dates.

As of June 30, 1983, the average remaining life of securities in the pooled money investment program administered by the State Treasurer was approximately one year, eleven months. The average remaining life of securities in the pooled money investment program administered by the Treasurer of the Regents of the University of California was less than one year. Securities in the respective pooled money investment programs are carried at amortized cost. Market values for the State Treasurer's portfolio and the University of California's portfolio approximate book values at June 30, 1983.

5. 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, 1983, except for the State

Compensation Insurance Fund, which is reported as of December 31, 1982 (in thousands):

	<u>Amortized Cost</u>	<u>Market Value</u>
<u>Enterprise Funds</u>		
State Compensation Insurance Fund	\$ 1,380,238	\$ 1,236,230
Housing Finance Fund	397,500	392,063
Other Enterprise Funds	<u>137,493</u>	Unavailable
Total	<u>\$ 1,915,231</u>	
 <u>Trust and Agency Funds</u>		
Public Employees' Retirement System	\$19,709,869	\$20,366,214
State Teachers' Retirement System	10,997,319	10,867,945
Legislators' Retirement System	40,652	38,821
Judges' Retirement System	1,027	1,027
Deferred Compensation Fund	364,970*	384,988
Other Trust and Agency Funds	<u>31,444</u>	Unavailable
Total	<u>\$31,145,281</u>	
 <u>University of California</u>		
Endowment and Similar Funds	\$ 387,385	\$ 533,052**
University of California Retirement System	<u>3,233,788</u>	<u>4,280,998</u>
Total	<u>\$ 3,621,173</u>	<u>\$ 4,814,050</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 \$13.8 million.

6. Fixed Assets

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

	<u>Proprietary Fund Types</u>		<u>University of California</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
State water projects	\$2,639,672		
Toll facilities	498,890		
Other land, improvements, buildings, and equipment	348,249	\$142,684	\$3,566,471
Construction in progress	<u>530,290</u>	<u></u>	<u>183,147</u>
Total Fixed Assets	4,017,101	142,684	3,749,618
Less accumulated depreciation (Notes 2 and 3)	<u>351,561</u>	<u>63,894</u>	<u></u>
Net Fixed Assets	<u>\$3,665,540</u>	<u>\$ 78,790</u>	<u>\$3,749,618</u>

7. General Obligation Bonds

The State Constitution provides that the State may 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 debt service on outstanding general obligation bonds is subject to the prior application of monies in the General Fund to the support of the public school system and public institutions of higher education. 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, 1983 (in thousands):

	<u>Balance July 1, 1982</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1983</u>
General Long-Term Obligations	\$1,791,913	\$435,000	\$152,754	\$2,074,159
Enterprise Funds	<u>4,540,850</u>	<u>200,000</u>	<u>265,135</u>	<u>4,475,715</u>
Total General Obligation Bonds Payable	<u>\$6,332,763</u>	<u>\$635,000</u>	<u>\$417,889</u>	<u>\$6,549,874</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 at June 30, 1983 (in thousands):

	<u>Outstanding</u>	<u>Authorized But Unissued</u>
<u>General Long-Term Obligations</u>		
State Construction	\$ 323,050	
Clean Water	322,250	\$ 30,000
State Beach, Park, Recreational and Historical Facilities	224,675	15,000
State, Urban, and Coastal Park Clean Water and Water Conservation	191,000	50,000
State Parklands	180,250	185,000
State School Building Lease- Purchase	135,125	145,000
Health Science Facilities	125,000	375,000
New Prison Construction	105,175	
Safe Drinking Water	100,000	395,000
Community College Construction	98,025	75,000
Higher Education Construction Program	95,250	
Recreation and Fish and Wildlife Enhancement	93,735	
Junior College Construction	33,000	
Harbor Development	26,800	
San Francisco Harbor Improvement	19,565	
County Jail Capital Expenditure	1,259	280,000
First-Time Home Buyers		200,000
Lake Tahoe Acquisitions		85,000
	<hr/>	<hr/>
Total General Long-Term Obligations	<u>2,074,159</u>	<u>1,835,000</u>
<u>Enterprise Funds</u>		
California Veterans	2,262,075	550,000
California Water Resource Development	1,455,780	180,000
State School Building Aid	756,310	40,000
Harbor Development	1,550	
	<hr/>	<hr/>
Total Enterprise Funds	<u>4,475,715</u>	<u>770,000</u>
Total General Obligation Bonds Payable	<u>\$6,549,874</u>	<u>\$2,605,000</u>

C. Debt Service Requirements

The following schedule shows the debt service requirements for general obligation bonds as of June 30, 1983, including interest of \$4.1 billion (in thousands):

<u>Year Ending June 30</u>	<u>General Long-Term Obligations</u>	<u>Enterprise Funds</u>
1984	\$ 312,415	\$ 514,842
1985	296,706	488,974
1986	278,355	465,722
1987	264,746	435,709
1988	249,336	401,867
Thereafter	<u>1,663,890</u>	<u>5,275,174</u>
Total	<u>\$3,065,448</u>	<u>\$7,582,288</u>

8. Revenue Bonds and Notes Payable

With the prior approval of the State Legislature, certain state agencies 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 annually from the General Fund for payment of the debt service on revenue bonds of the California Exposition and State Fair.

Revenue bonds issued by the Department of Water Resources, the California Transportation Commission, the State Public Works Board, and the California State University were issued to acquire or construct state facilities. Revenue bonds issued by the California Housing Finance Agency, the Department of Veterans Affairs, the California National Guard, and the California Student Loan Authority are similar to the no-commitment debt discussed in Note 9. The revenue bonds that are similar to no-commitment debt were authorized by the Legislature and issued 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, 1983 (in thousands):

	Balance July 1, 1982	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 1983
Enterprise Funds	\$1,989,838	\$1,156,020	\$85,244	\$3,060,614
University of California	<u>165,200</u>	<u>56,216</u>	<u>4,830</u>	<u>216,586</u>
Total Revenue Bonds	<u>\$2,155,038</u>	<u>\$1,212,236</u>	<u>\$90,074</u>	<u>\$3,277,200</u>

B. Revenue Bonds Outstanding

The following schedule shows revenue bonds outstanding at June 30, 1983 (in thousands):

	<u>Outstanding</u>
<u>Enterprise Funds</u>	
California Housing Finance Agency	\$1,181,931
Department of Water Resources	995,301
Department of Veterans Affairs	455,000
California State University	163,523
California Transportation Commission	112,196
California Student Loan Authority	121,475
California National Guard	24,920
State Public Works Board-California Exposition and State Fair	<u>6,268</u>
Total Enterprise Funds	<u>3,060,614</u>
<u>University of California</u>	
Regents of the University of California	<u>216,586</u>
Total Revenue Bonds	<u>\$3,277,200</u>

Outstanding revenue bonds totaling \$7.28 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 as of June 30, 1983, including interest of \$3.3 billion (in thousands):

<u>Year Ending June 30</u>	<u>Enterprise Funds</u>	<u>University of California</u>
1984	\$ 226,521	\$ 19,756
1985	229,425	17,482
1986	232,440	17,289
1987	224,701	17,222
1988	229,267	17,200
Thereafter	<u>4,947,326</u>	<u>359,252</u>
Total	<u>\$6,089,680</u>	<u>\$448,201</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 at June 30, 1983 (in thousands):

<u>Enterprise Funds</u>	<u>Outstanding</u>
California Housing Finance Agency	\$167,779
State Public Works Board	<u>4,912</u>
Total Notes Payable	<u>\$172,691</u>

E. Early Extinguishment of Debt

During fiscal year 1982-83, the Department of Water Resources issued Central Valley Project Power Facilities revenue bonds and used \$243,406,900 of the proceeds to satisfy debt of \$250 million of previously issued revenue bond anticipation notes. The department invested the \$243,406,900 in obligations of the U.S. government and placed the investments in irrevocable escrow with the State Treasurer. The investments and interest thereon will be sufficient to redeem the revenue bond anticipation notes upon their maturity. On December 1, 1983, \$100 million in notes was redeemed before the scheduled maturity of the notes.

Similarly, during July 1981, the California Transportation Commission satisfied a debt of \$20 million of 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 earned thereon, to redeem the revenue bonds upon maturity. The first installment of \$5 million has since matured and was paid from the escrow account.

Since the escrow arrangements effectively release the Department of Water Resources and the California Transportation Commission from their obligations for the remaining \$150 million in revenue bond anticipation notes and \$15 million in revenue bonds, respectively, the liabilities for the notes and the bonds are not included in the financial statements.

9. 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 at June 30, 1983 (in thousands):

	<u>Outstanding</u>
Health Facilities	\$ 735,755
Pollution Control	749,457
Educational Facilities	360,515
Alternate Energy Source	<u>5,801</u>
Total No-Commitment Debt	<u>\$1,851,528</u>

10. Grant to Los Angeles County

Chapter 1594, Statutes of 1982, reduced by \$200 million the allocation to Los Angeles County provided by Sections 16702 and 16703 of the Welfare and Institutions Code. At the same time, Chapter 1594 awarded a \$200 million grant to Los Angeles County, payable from the General Fund in future years, to implement a new system for providing medical assistance to medically indigent adults. Two hundred million dollars of the General Fund is to be deposited into the Los Angeles County Medical Assistance Grant Account as follows:

- \$100 million during the 1983-84 fiscal year; and
- \$100 million during the 1984-85 fiscal year.

The statutes require that Los Angeles County be paid the amount of the grant in June 1985. Before the State makes that payment, however, the funds are a borrowable resource of the General Fund. The grant to Los Angeles County that will be paid in fiscal year 1984-85 is not included in the accompanying financial statements.

11. 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, 1983, is approximately \$671 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>
1984	\$119,395	\$ 6,792	\$126,187
1985	97,075	5,614	102,689
1986	78,954	4,811	83,765
1987	55,690	5,459	61,149
1988	40,069	5,459	45,528
Thereafter	<u>151,198</u>	<u>100,152</u>	<u>251,350</u>
Total minimum lease payment	<u>\$542,381</u>	128,287	<u>\$670,668</u>
Less amounts representing interest		<u>72,215</u>	
Present value of net minimum lease payment		<u>\$ 56,072</u>	

Lease expenditures for the year ended June 30, 1983, amounted to approximately \$204 million.

University of California rental expenditures for the years ended June 30, 1983 and 1982, totaled \$38 million and \$35 million, respectively. Minimum payments required under capital and noncancellable operating leases are \$17 million in 1984 and decrease in amount thereafter.

B. Loans and Construction

As of June 30, 1983, housing, school building aid, and harbors and waterways loan programs had loan commitments totaling approximately \$367 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 \$97 million for construction of water projects and a bridge. Construction projects of the University of California, totaling \$79 million, had been authorized at June 30, 1983. Of this amount, \$41 million will be funded from unexpended plant funds and \$38 million from other sources.

C. Encumbrances

At June 30, 1983, encumbrances of the Special Revenue Funds totaled \$549 million. This amount does not include commitments of \$708 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.

12. Taxes

A. Summary of Major Tax Revenues

Tax revenues for the year ended June 30, 1983, are as follows (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>
Sales and use	\$ 7,643,144	\$600,480	
Personal income	7,677,363		
Bank and corporation	2,536,011		
Unemployment insurance			\$1,466,586
Disability insurance			826,630
Other	<u>1,867,093</u>	<u>11,073</u>	<u>37,981</u>
Total	<u>\$19,723,611</u>	<u>\$611,553</u>	<u>\$2,331,197</u>

B. Legislation Increasing Tax Revenues

Legislation resulted in the accelerated collection of approximately \$148 million in sales tax revenue and additional revenue to the State's General Fund of approximately \$279 million in motor vehicle license taxes.

13. Pension Trusts

A. General

The State administers five defined benefit contributory retirement plans: the Public Employees' Retirement System, the Judges' Retirement System, the Legislators' Retirement System, the State Teachers' Retirement System, and the University of California Retirement System. The schedule below shows the number of members in each of the retirement plans as of June 30, 1983:

	<u>State Members</u>	<u>Other Members</u>	<u>Total Members</u>
Public Employees'	262,065	468,635	730,700
Judges'	1,284	738	2,022
Legislators'	387		387
State Teachers'	431	395,580	396,011
University of California	79,075		79,075

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 1982-83 (in thousands):

	<u>State</u>	<u>Public Agencies</u>	<u>Members</u>	<u>Total Contributions</u>
Public				
Employees'	\$660,131	\$664,898	\$435,699	\$1,760,728
Judges'	15,780	3,418	6,112	25,310
Legislators'	637		248	885
State Teachers'	235,491	500,570	502,896	1,238,957
University of California	268,500		79,880	348,380

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 systems. The contributions reported for the Public Employees' Retirement System include amortization of the unfunded actuarial liability over a period not to exceed 30 years. The University of California Retirement System is fully funded and therefore has no unfunded liability. 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', Judges', and 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'	6/30/82	\$6,097	\$10,246
State Teachers'	6/30/81	unknown	13,197
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. 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>
1983-84	\$ 60 million	1990-91	\$200 million
1984-85	80 million	1991-92	220 million
1985-86	100 million	1992-93	240 million
1986-87	120 million	1993-94	260 million
1987-88	140 million	1994-95	280 million
1988-89	160 million	Thereafter	280 million
1989-90	180 million		

However, the Governor reduced the State's contribution to the State Teachers' Retirement System for the 1983-84 fiscal year to \$1. The legality of this action is currently being challenged as explained in Note 18.

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

Independent actuaries report that at June 30, 1983, the actuarial present value of accumulated benefits of the University of California Retirement System basic plan was \$2.7 billion.

14. 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.

15. 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 general creditors.

At June 30, 1983, assets invested on behalf of the participants totaled approximately \$365 million. This amount is reported at cost plus accumulated earnings in an agency fund.

16. 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	State School Building Aid	Toll Facilities	State University	Harbors and Waterways	Public Building	Other Enterprises
Operating Revenue	\$ 5,762	\$ 303,999	\$ 564,910		\$ 67,500	\$ 80,872	\$ 3,544	\$ 3,397	\$ 20,654
Operating Income or (Loss)	(14,727)	190,449	227,328	\$ (1,130)	48,867	25,010	(6,908)	2,664	5,309
Net Income	50,231	246,583	227,328	38,069	45,187	20,580	6,943	2,928	7,370
Property, Plant, and Equipment									
Additions	60	211,057	12,994	9,270	29,848	9,336	13		248
Total Assets	4,716,659	3,800,791	1,601,745	1,220,039	755,822	378,959	121,081	76,066	155,588
Bonds and Other Long-Term Liabilities									
Payable from Operating Revenues		2,825,667			136,587	163,523		11,180	121,475
Payable from Other Sources	4,091,704			1,281,812			1,550		
Total Equity	376,687	793,032	430,905	(62,616)	610,813	185,522	109,751	64,526	29,028

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, 1982.

State School Building Aid - Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities, and income from the rental of portable classrooms to school districts. The \$62.616 million 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.

Public Building - Rental charges from the lease of public buildings and interest earned on investments.

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

17. 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, 1983; legal proceedings that were in progress at June 30, 1983, and that were settled or decided against the State as of December 22, 1983; and those legal proceedings having a high probability of resulting in a decision against the State as of December 22, 1983, 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 financial assistance from the federal government in the form of grants. The State is entitled to these resources only if it complies with the terms and conditions of the grant agreements 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 paid by the State Compensation Insurance Fund. For self-insured agencies, any unpaid billings are accrued at the end of the year; however, no liability is recorded for future payments. 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.

18. Subsequent Events

On August 16, 1983, the State of California issued \$1.2 billion in revenue anticipation notes to fund the State's cash flow needs for the 1983-84 fiscal year. On December 15, 1983, the State redeemed \$500 million of these revenue anticipation notes; the remaining balance matures in April and June 1984.

From July 1, 1983, to December 22, 1983, the State sold \$325 million in general obligation bonds and \$464 million in revenue bonds. In addition, the State sold \$24.5 million in California Housing Finance Agency Revenue Credit Agreement Notes.

The State is a defendant in lawsuits filed on behalf of the State Teachers' Retirement System and its members that seek to compel the State to provide the retirement system with the annual supplemental funding provided for in the Education Code. The annual supplemental funding and the system's unfunded actuarial liability are explained in Note 13. The Governor reduced the 1983-84 fiscal year's appropriation to the State Teachers' Retirement System for this supplemental funding from \$211,313,000 to \$1. This lawsuit is being litigated in the California Court of Appeal, and a decision is expected in 1984.

SUPPLEMENTARY INFORMATION

**STATE OF CALIFORNIA
COMBINED SCHEDULE 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, 1983
(IN THOUSANDS)**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues						
Taxes		\$19,462,251		\$ 22,904		
Intergovernmental		29,370		10,145,874		
Licenses and permits		117,292		711,105		
Natural resources		146,016		146,615		
Charges for services		51,065		51,192		
Fees		61,379		104,549		
Penalties		13,557		48,570		
Interest		249,075		166,531		
Miscellaneous		361,857		372,461		
Total Revenues		<u>20,491,862</u>		<u>11,769,801</u>		
Expenditures						
Current						
General government	\$ 856,585	665,159	\$191,426	\$ 743,634	521,999	\$ 221,635
Education	10,902,574	10,851,864	50,710	1,072,492	909,979	162,513
Health and welfare	7,410,098	7,288,574	121,524	9,454,577	8,795,216	659,361
Resources	309,217	294,890	14,327	311,673	246,133	65,540
State and consumer services	165,399	160,871	4,528	169,865	157,733	12,132
Business and transportation	53,353	47,099	6,254	3,789,087	3,493,290	295,797
Correctional programs	750,749	725,429	25,320	14,256	13,764	492
Property tax relief	1,381,551	1,347,377	34,174			
Capital outlay		(831)	831	191,331	191,331	
Debt service						
Principal retirement	150,440	150,440				
Interest and fiscal charges	141,581	133,906	7,675			
Total Expenditures	<u>\$22,121,547</u>	<u>21,664,778</u>	<u>\$456,769</u>	<u>\$15,746,915</u>	<u>14,329,445</u>	<u>\$1,417,470</u>
Other Financing Sources (Uses)						
Operating transfers in		765,741			2,817,628	
Operating transfers out		(90,345)			(465,168)	
Sale of general fixed assets						
Total Other Financing Sources		<u>675,396</u>			<u>2,352,460</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		(497,520)			(207,184)	
Fund Balances, July 1, 1982 (Deficit), as restated		<u>(23,778)</u>			<u>670,289</u>	
Fund Balances, June 30, 1983 (Deficit)		<u>\$ (521,298)</u>			<u>\$ 463,105</u>	

See the notes accompanying the supplementary information.

STATE OF CALIFORNIA
SCHEDULE OF GENERAL FUND
RECONCILIATION OF LEGAL BASIS TO GAAP BASIS
AS OF JUNE 30, 1983
(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 Lawsuits	Restatement of Fund Balance	Reclassifications and Miscellaneous	GAAP Basis
ASSETS									
Cash and pooled investments	\$ 122,849								\$ 122,849
Receivables	121,120								115,456
Due from other funds	811,993		\$ 42,731					\$ (5,664)	867,560
Due from other governments	11,567							12,836	15,500
Prepaid expenses	84,112							3,933	167,667
Other assets	26							83,555	26
Advances and loans receivable	83,555			\$605,361				(83,555)	605,361
Total Assets	<u>\$ 1,235,222</u>		<u>\$ 42,731</u>	<u>\$605,361</u>			<u>\$ 11,105</u>		<u>\$ 1,894,419</u>
LIABILITIES									
Accounts payable	\$ 453,191	\$ (155,220)	\$ 351,803		\$ 30,667			\$ (29,475)	\$ 299,163
Due to other funds	1,078,487	8,709						19,916	1,458,915
Due to other governments	168,470	1,967						21,733	192,170
Tax overpayments					\$ 134,701				134,701
Deposits	240								240
Advance collections	20,679								20,679
Other liabilities	35,453							(1,069)	34,384
Total Liabilities	<u>1,756,520</u>	<u>(144,544)</u>	<u>351,803</u>		<u>134,701</u>	<u>30,667</u>		<u>11,105</u>	<u>2,140,252</u>
FUND EQUITY									
Fund balances									
Reserved for encumbrances		144,544							144,544
Reserved for advances and loans				\$605,361					605,361
Unreserved									
Designated for subsequent year's expenditures	87,058								87,058
Undesignated (deficit)	(608,356)		(309,072)		(134,701)	(30,667)			(1,082,796)
Total Fund Equity	<u>(521,298)</u>	<u>144,544</u>	<u>(309,072)</u>	<u>605,361</u>	<u>(134,701)</u>	<u>(30,667)</u>			<u>(245,833)</u>
Total Liabilities and Fund Equity	<u>\$ 1,235,222</u>	<u>\$ 0</u>	<u>\$ 42,731</u>	<u>\$605,361</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,105</u>	<u>\$ 1,894,419</u>

**STATE OF CALIFORNIA
SCHEDULE OF SPECIAL REVENUE FUND BALANCES
RECONCILIATION OF LEGAL BASIS TO GAAP BASIS
AS OF JUNE 30, 1983
(IN THOUSANDS)**

Fund Balances, June 30, 1983 - Legal Basis	\$ 463,105
Advances or loans to other funds or to other governments	486,589
Encumbrances, June 30, 1983	549,099
Other	<u>4,261</u>
Fund Balances, June 30, 1983 - GAAP Basis	<u>\$1,503,054</u>

See the notes accompanying the supplementary information.

**NOTES TO THE
SUPPLEMENTARY INFORMATION**

1. Budgeted Revenues

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

2. 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 past 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 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 financial statements.

The accompanying Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual (Legal Basis) is compiled on a legal basis. The accompanying reconciliations reconcile this schedule to the General Purpose Financial Statements prepared in accordance with generally accepted accounting principles. The primary differences between 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 a legal basis. They are reported as a reservation of fund balance in accordance with generally accepted accounting principles and 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 a 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 a legal basis. It is accrued in accordance with generally accepted accounting principles.

Accrued Liability for Lawsuits

A liability for lawsuits is not recognized in Governmental Fund Types on a legal basis unless money has been appropriated. Estimated liabilities for legal proceedings that were decided against the State or that have a high probability of resulting in an adverse decision are accrued in accordance with generally accepted accounting principles. As discussed in Note 17 of the General Purpose Financial Statements, the liability that is expected to be paid within the next 12 months is recorded in the Governmental Fund Types.

Restatement of Fund Balance

The beginning fund balance of the General Fund on a legal basis is adjusted to reflect the difference between the net expenditures and revenues that were accrued at the previous June 30 and the amount of actual revenues and net expenditures that were subsequently realized. Fund balance on a GAAP basis is not restated.

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, and 3) reporting certain receipts from agency funds as revenues rather than as transfers in.

STATISTICAL SECTION

STATE OF CALIFORNIA
TAX REVENUE BY SOURCE
COMPARATIVE YIELD OF STATE TAXES
FISCAL YEARS 1968-1985
(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+	8,734,032	8,950,000	3,240,000	265,000	227,500	442,000	107,750	136,828	29,500	1,174,000	1,897,000
1985+	9,733,000	9,860,000	4,290,000	257,000	186,500	615,000	106,100	133,825	30,700	1,097,000	2,134,400

*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.
+Estimated.

Source: Governor's Budget, January 10, 1984.

**STATE OF CALIFORNIA
RATIO OF GENERAL LONG-TERM
BONDED DEBT TO PER CAPITA INCOME
FISCAL YEARS 1978-1982**

<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	10,920	.68
1981	1,685,352	69.61	12,064	.58
1982	1,791,913	72.48	12,567	.58

Sources: 1978-1982, 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 1940-1982**

<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	24,212,000	1.9	10.6
1982	231,534,000	1.0	24,724,000	2.1	10.7

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 1970-1982**

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	1,727,032	12.5	200,658	14.2	11.6
1979	1,943,983	12.6	229,272	14.3	11.8
1980	2,158,685	11.0	259,578	13.2	12.0
1981	2,426,901	12.4	292,100	12.5	12.0
1982	2,571,592	6.0	310,704	6.4	12.1

Sources: 1970-1981, U.S. Department of Commerce, Bureau of Economic Analysis; 1982, California Department of Finance estimates. (Data for United States represent the total for the 50 states and the District of Columbia.)

Note: The percent change is an annual average rate.

**STATE OF CALIFORNIA
COMPARISON OF NATIONAL TO STATE
PER CAPITA PERSONAL INCOME
CALENDAR YEARS 1970-1982**

<u>Year</u>	<u>United States</u>		<u>California</u>		<u>California as a Percent of United States</u>
	<u>Personal Income</u>	<u>Percent Change</u>	<u>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	7,776	11.3	8,786	11.7	113.0
1979	8,657	11.3	9,859	12.2	113.9
1980	9,503	9.8	10,920	10.8	114.9
1981	10,582	11.4	12,064	10.5	114.0
1982	11,107	5.0	12,567	4.2	113.1

Sources: 1970-1981, U.S. Department of Commerce, Bureau of Economic Analysis; 1982, California Department of Finance estimates.

Note: The percent change is an annual average rate.

**STATE OF CALIFORNIA
CIVILIAN LABOR FORCE
FOR RESIDENT POPULATION
AGE 16 AND OVER
CALENDAR YEARS 1972-1982**

<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>
1972	8,652	7,996	656	5.6%	7.6%
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	853	7.1	8.2
1978	10,910	10,135	775	6.1	7.1
1979	11,266	10,565	701	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	12,189	10,978	1,211	9.7	9.9

Source: California Employment Development Department.

STATE OF CALIFORNIA
 PERSONS EMPLOYED IN
 PRINCIPAL MANUFACTURING INDUSTRIES
CALENDAR YEARS 1977 AND 1982
 (IN THOUSANDS)

<u>Industry</u>	<u>1977</u>	<u>1982</u>	<u>Percent Change</u>
Instruments and related products	71.6	102.0	42.5%
Electric and electronic equipment	251.8	350.6	39.2
Machinery, except electrical	177.6	227.1	27.9
Petroleum and coal products	25.5	31.8	24.7
Printing and publishing	103.3	125.8	21.8
Transportation equipment	237.9	262.3	10.3
Chemicals and allied products	61.0	64.1	5.1
Rubber and miscellaneous plastic products	59.0	60.9	3.2
Food and kindred products	178.8	183.3	2.5
Fabricated metal products	135.4	138.0	1.9
Apparel	101.3	102.4	1.1
Furniture and fixtures	49.3	49.3	0.0
Paper and allied products	37.4	37.1	(0.8)
Leather and leather products	10.8	10.6	(1.9)
Stone, clay, and glass products	53.7	50.1	(6.7)
Primary metal products	54.3	47.8	(12.0)
Textile mill products	14.8	12.3	(16.9)
Lumber and wood products	66.4	46.0	(30.7)
Miscellaneous	38.4	43.2	12.5
Total	<u>1,728.3</u>	<u>1,944.7</u>	12.5

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
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps