

REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA

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**STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1987**

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REPORT BY THE  
OFFICE OF THE AUDITOR GENERAL

F-705

STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1987

MARCH 1988



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

Thomas W. Hayes  
Auditor General

660 J STREET, SUITE 300  
SACRAMENTO, CA 95814

March 21, 1988

F-705

Honorable Bruce Bronzan, Chairman  
Members, Joint Legislative  
Audit Committee  
State Capitol, Room 448  
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents the financial report of the State of California for the year ended June 30, 1987. 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 statements 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 has an excess of expenditures over revenues of \$502 million for the fiscal year ending June 30, 1987. 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,

A handwritten signature in black ink that reads "Thomas W. Hayes".

THOMAS W. HAYES  
Auditor General

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**INTRODUCTORY SECTION**



GRAY DAVIS

*Controller of the State of California*

SACRAMENTO, CALIFORNIA 94250-5872

March 10, 1988

The People of the State of California  
The Honorable George Deukmejian,  
Governor of the State of California  
The Honorable David Roberti,  
Senate President pro Tempore  
The 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. This report meets the disclosure standards of the accounting profession and is primarily intended to meet the needs of users outside of state government. The State of California 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 execution 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 1986-87 fiscal year with a fund balance of \$1.764 billion. Included in the fund balance is \$190 million designated for continuing appropriations, \$1.046 billion deposited into the Special Fund for Economic Uncertainties which was required by Section 12.30, of Chapter 186, and \$528 million of undesignated (unappropriated) funds.

Though the Special Fund for Economic Uncertainties ended the fiscal year with a balance of \$1.046 billion on a legal-budgetary basis, Chapter 908, Statutes of 1987, required that revenue collected in excess of the limit set by Article XIII(b) of the State Constitution be rebated to the people of California. This amount was determined to be \$1.1 billion. In order to make this rebate, it was necessary to reduce the balance of the Special Fund for Economic Uncertainties to \$478 million. This amount is far below the \$1.0 billion figure the administration has indicated is necessary for a "prudent" reserve.

The General Fund, on the basis of generally accepted accounting principles, ended the 1986-87 fiscal year with a total fund balance of \$201 million. A reconciliation between the fund balance of the General Fund on the legal-budgetary basis and the fund balance under generally accepted accounting principles is presented in Note 3 of this report.

We wish to express our appreciation to all state agencies for their cooperative and continued efforts to submit their reports, which are essential to this report's compilation, on a more timely basis. This office is committed to issuing the report earlier while not sacrificing its accuracy or completeness. We also wish to thank the Auditor General and his staff for their independent audit of the financial statements contained in this report.

Best Regards,

*Gray Davis*

GRAY DAVIS  
State Controller

## STATE CONTROLLER'S OVERVIEW

This report presents the general purpose financial statements of the State of California, prepared in accordance with generally accepted accounting principles (GAAP), for the fiscal year ended June 30, 1987. 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 statutory and regulatory requirements and is used for reporting on the execution of the State's budget as well as for future budget planning. A reconciliation of the two accounting bases for the State's General Fund, along with an explanation of the major differences, is provided on pages 42 through 47 of this report. A reconciliation showing the differences between the two accounting bases for the special revenue fund balances is provided on page 49 of this report.

### SIGNIFICANT FINANCIAL INFORMATION

#### Tax Rebate

Article XIII B of the California Constitution, the state appropriations limit, establishes a limit on the growth of certain state appropriations made from state tax revenues ("proceeds of taxes"), adjusted annually for inflation and population growth. All tax revenue received must be appropriated under the provisions of Article XIII B or returned to the taxpayers. For fiscal year 1986-87, tax proceeds exceeded the State's authority to appropriate funds under the constraints imposed by Article XIII B. Accordingly, special legislation, Chapter 908, Statutes of 1987, was enacted to rebate \$1.1 billion in excess tax revenues to the taxpayers beginning in November 1987.

#### Governmental Fund Types Revenues and Expenditures

Revenues of the General Fund and special revenue funds totaled approximately \$44 billion for the fiscal year ended June 30, 1987, an increase of 8.8 percent over 1986. The amount of revenues from various sources and the changes from the last fiscal year are shown in Table 1.



**TABLE 1**  
**GENERAL FUND AND SPECIAL REVENUE FUND REVENUES (GAAP BASIS)**  
**(IN MILLIONS)**

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 1985-86</u>
Taxes	\$30,651	69.5	\$2,903
Intergovernmental	9,805	22.3	304
Licenses and permits	1,275	2.9	38
Natural resources	44	.1	(160)
Charges for services	274	.6	62
Fees	628	1.4	39
Penalties	406	.9	268
Interest	654	1.5	(13)
Other	<u>340</u>	<u>.8</u>	<u>131</u>
Total	<u>\$44,077</u>	<u>100.0</u>	<u>\$3,572</u>

The large increase in taxes is primarily the result of increased personal income tax payments. We believe that most of the personal income increase was caused by taxpayers anticipating changes in the federal income tax laws and that this increase will not occur again.

Expenditures of the General Fund and special revenue funds totaled \$44.7 billion for the fiscal year ended June 30, 1987, an increase of 9.9 percent over 1986. These expenditures provided a comprehensive range of governmental services in the areas of education, social services, health and environmental services, transportation, mental health, law, justice, public safety, recreation and resources development, public improvements, and general administrative services.

Changes in expenditures by function from the last fiscal year levels are presented in Table 2.

**TABLE 2**  
**GENERAL FUND AND SPECIAL REVENUE FUND EXPENDITURES (GAAP BASIS)**  
**(IN MILLIONS)**

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 1985-86</u>
General government	\$ 1,880	4.2	\$ (277)
Education	18,242	40.8	1,289
Health and welfare	16,500	36.9	1,945
Resources	767	1.7	23
State and consumer services	794	1.8	82
Business and transportation	3,000	6.7	176
Correctional programs	1,855	4.2	591
Property tax relief	993	2.2	68
Capital outlay	12	0.0	(54)
Debt service	639	1.5	194
Total	<u>\$44,682</u>	<u>100.0</u>	<u>\$4,037</u>

#### Debt Administration

The State continues to maintain its superior bond accreditation from Standard and Poor's Corporation (AAA), Fitch Investors Service (AAA), and Moody's Investors Service (Aa). The general obligation bond debt decreased from \$8.3 billion at June 30, 1986 to \$8.0 billion at June 30, 1987, a decrease of 4 percent.

As a result of uncertainties relating to the new federal tax legislation, only three general obligation bond issues were sold during fiscal year 1986-87. Since existing debt was reduced in amounts greater than these three issues, the outstanding debt at the end of the fiscal year decreased. However, the amount of bonds authorized and unissued increased from \$3.7 billion at June 30, 1986, to \$5.2 billion at June 30, 1987, an increase of over 40 percent. In accordance with the State 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 or a direct primary election. The general obligation debt position of the State at June 30, 1987, is provided in note 9, pages 55 through 58 of the financial section.

To provide for cash flow, the State usually issues revenue anticipation notes at the beginning of each fiscal year. The State issued \$2.6 billion in notes for fiscal year 1986-87, which were repaid

by June 30, 1987. In August and November of 1987, the State issued \$800 million and \$1.3 billion in revenue anticipation notes, respectively. These notes will mature on June 30, 1988, and will be payable from available monies in the General Fund, including, if necessary, amounts that may be borrowed from the special funds, a legal basis fund classification, of the State.

### Bonded Debt Policy

Most recently general obligation bonds have been approved and used for K-12 school and correctional facility construction. General obligation bonds require a majority vote by the people for approval; however, bonded debt service payments are not subject to the appropriation limitations of Article XIIIB of the State Constitution. A movement now exists to utilize general obligation bonds for the construction of California freeways. Freeways in past years have been financed on a "pay as you go" basis through available taxes on highway users. The use of general obligation bond financing for this purpose will embark the State on the road of deficit financing, allocating the debt payment to future generations without defining and providing future revenue for the debt service.

The Commission on State Finance in its December 1987 report has estimated that General Fund revenues and transfers for fiscal year 1987-88 will gain 3.1 percent over the previous fiscal year while in this same period expenditures will increase 5.2 percent. The repayment of general obligation bonds, redemption and interest, are paid in most cases by the General Fund. Current general tax revenue dollars may not support both increased General Fund expenditures and increased debt service.

### Cash Investment

The State combines its surplus cash into a general account, the Pooled Money Investment Account, from which it makes its investments in various types of securities. The average daily investment balance for fiscal year 1986-87 amounted to \$19.2 billion. This balance was invested as follows: 42 percent in money market securities, 25 percent in United States government and agency securities, 19 percent in repurchase agreements, 10 percent in corporate bonds, and 4 percent in time deposits. For fiscal year 1986-87, the average effective yield in investments was 7.43 percent as compared to a yield of 9.08 percent during fiscal year 1985-86. According to the Pooled Money Investment Board, Thirty-First Annual Report, Fiscal Year 1986-87, total interest received from available balances was \$1.4 billion. Of this amount, the General Fund received \$457 million, special funds received \$581 million and local governments received \$387 million.

### Special Fund for Economic Uncertainties

The Special Fund for Economic Uncertainties was created by Chapter 139, Statutes of 1985, and amended Section 16418(a) of the Government Code. This fund, as the name implies, is a "rainy day fund." It provides the funds for those necessary expenditures throughout the year that have not been anticipated or provided for in the annual budget. The State Controller's Office is required to transfer to the fund at the close of each fiscal year the lesser of the following amounts:

- The unencumbered balance in the General Fund; and
- The difference between the State's "appropriations subject to limitation" for the fiscal year that ended and its "appropriation limit" as defined in the Budget Act for that fiscal year.

The balances of the Special Fund for Economic Uncertainties for fiscal years 1985-86 through 1986-87 and after the tax rebate are shown in Table 3. The final amount for 1986-87 is \$94 million more than shown in the legal basis preliminary report, as a result of the customary adjustments for audit findings and revised information from state agencies.

**TABLE 3**  
**SPECIAL FUND FOR ECONOMIC UNCERTAINTIES**  
**FUND BALANCE**  
**(IN MILLIONS)**

<u>Fiscal Year</u>	<u>Fund Balance (Legal Basis)</u>	<u>General Fund Expenditures (Legal Basis)</u>	<u>Percent of General Fund Expenditures</u>
After Rebate (Jan. 1988)	\$ 478	\$31,373	1.5
1986-87	1,046	31,373	3.3
1985-86	443	28,812	1.5

Even though the Special Fund for Economic Uncertainties ended the fiscal year with a balance of \$1.046 billion, Chapter 908, Statutes of 1987, requires that revenue collected in excess of the limit set by Article XIII B of the State Constitution be rebated to the people of California. This excess amount was \$1.1 billion. To make this rebate, it was necessary to reduce the special fund balance to \$478 million.

This resulted in a fund balance in the Special Fund for Economic Uncertainties that is 1.5 percent of budgeted General Fund expenditures. Such balance is far below the 3.7 percent or \$1 billion figure that the administration has stated is necessary for a "prudent" reserve.

#### ACCOUNTING BUDGETARY AND INTERNAL CONTROL SYSTEMS

The State prepares an annual financial plan that contains estimates of revenues and expenditures and enacts into law an annual budget. This budget is the result of negotiations between the Governor and State Legislature. Throughout the year adjustments agreed to by the parties are made to the budget. These are contained in budget revisions, executive change orders and financial legislation. The methods of accounting for expenditures against the budget are governed by law and are not in full agreement with generally accepted accounting principles.

The State Controller's Office is statutorily responsible for maintaining control over revenues due to the State and the expenditure of each appropriation contained in the budget. Budgeted appropriations are the expenditure authorizations that allow state agencies to purchase or create liabilities for goods and services. The State Controller's Office maintains audit processes which provide assurance that all state agency payments for goods and services are proper and are within the appropriations authorizing the expenditures.

The design of the State's accounting system provides the State Controller's Office with a centralized control record system to fully account for each budgeted appropriation, including its unexpended balance, and for all cash receipts and disbursements. The accounting system is decentralized in that the detail of each control account is maintained at the agency level. Throughout the year, the control accounts and agency accounts are maintained and reconciled on a cash basis. At the end of the fiscal year, each agency prepares annual accrual reports for accounts receivable and payable. Encumbrances of appropriations are maintained throughout the year at the state agency level and are reported as reservations of fund balances at June 30 on a GAAP basis and as liabilities on a legal basis. The State Controller's Office prepares the State of California Annual Report, the "legal basis financial report," using the balance of the cash basis control accounts and the annual accrual reports prepared by the agencies. The legal basis financial report is then adjusted to conform with generally accepted accounting principles, and the general purpose financial statements are prepared.

The State's system of internal accounting controls is designed to provide reasonable, but not absolute, assurance that (1) transactions are executed in accordance with managements' authorization; (2) assets are protected against loss from unauthorized use or disposition; and (3) financial records are reliable for preparing financial statements and maintaining accountability for assets and obligations.

### The Reporting Entity and Its Services

The funds and account groups included in the general purpose financial statements are controlled by or dependent on the California State Government. The University of California is a dependent unit, which is considered a part of the California State Government. Determination of "controlled by or dependent on" is based on criteria developed by the National Council on Governmental Accounting in its Statement 3, Defining the Governmental Reporting Entity. The criteria deals with the appointment of the board, designation of management, scope of public service, and the ability to significantly influence operations.

### General Fixed Assets

The State is in the process of developing adequate fixed asset records for its governmental fund type property, plant, and equipment that meet the requirements of generally accepted accounting principles.

### INDEPENDENT AUDIT

State statutes require an annual audit of the general purpose financial statements of the State. To meet this requirement, the Office of the Auditor General has examined the accompanying financial statements in accordance with generally accepted auditing standards. The auditor's opinion is included in this report.

**OFFICIALS OF THE  
STATE OF CALIFORNIA**

**EXECUTIVE**

George Deukmejian  
Governor

Leo T. McCarthy  
Lieutenant Governor

Gray Davis  
State Controller

John Van de Kamp  
Attorney General

Elizabeth Whitney  
Acting State Treasurer

March Fong Eu  
Secretary of State

Bill Honig  
Superintendent of Public Instruction

**LEGISLATIVE**

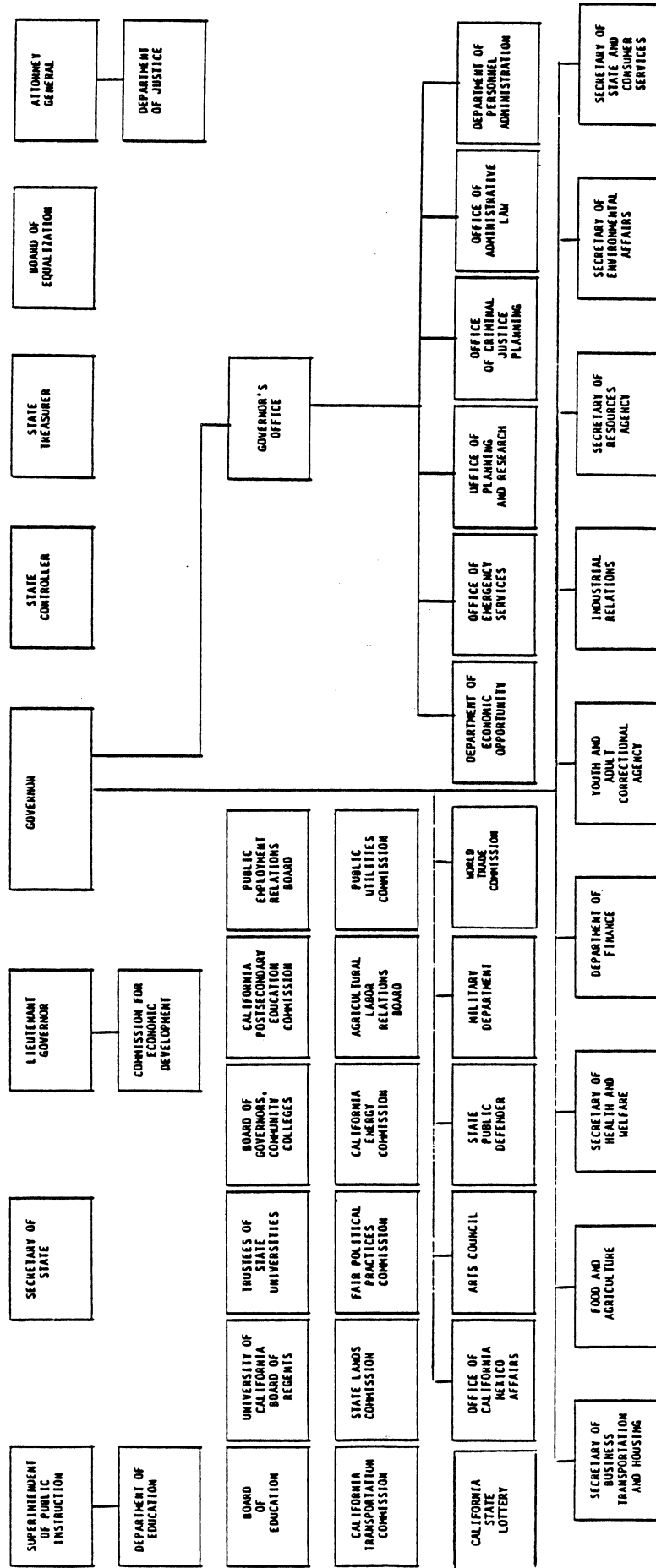
David Roberti  
President pro Tempore, Senate

Willie L. Brown, Jr.  
Speaker of the Assembly

**JUDICIAL**

Malcolm M. Lucas  
Chief Justice, State Supreme Court

**THE EXECUTIVE BRANCH  
OF THE  
STATE OF CALIFORNIA**





**FINANCIAL SECTION**



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

Thomas W. Hayes  
Auditor General

660 J STREET, SUITE 300  
SACRAMENTO, CA 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, 1987, 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 78 percent of the fiduciary funds. We also did not examine the financial statements of certain enterprise funds, which reflect total assets and revenues constituting 88 percent and 94 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 as required by 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, 1987, 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 data included in the statistical section in this report, and accordingly, we express no opinion on that data.

OFFICE OF THE AUDITOR GENERAL

  
CURT DAVIS, CPA  
Deputy Auditor General

December 18, 1987

**GENERAL PURPOSE FINANCIAL STATEMENTS**

STATE OF CALIFORNIA  
 COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUP  
 AS OF JUNE 30, 1987  
 (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
Cash and pooled investments	\$1,725,628	\$3,286,801	\$516,859	\$ 3,853,587	\$115,818	\$ 8,727,226	\$ 1,904,429
Investments				3,470,172		55,086,812	11,020,536
Amount on deposit with U.S. Treasury						3,849,178	
Receivables (net)	94,540	73,633	44	245,634	2,309	2,272,477	674,314
Due from other funds	1,305,992	422,178	16,188	109,942	83,234	2,454,397	138,227
Due from other governments	34,475	1,375,200	1	48,146	1,068	63,779	84,720
Prepaid expenses	115,194	110,588	28	1,229	4,071	9,648	
Inventory, at cost				28,384	38,447		
Other assets	714	3,677	51	97,554	187	116,088	184,375
Advances and loans receivable						132,044	40,739
Deferred charges	293,962	580,686	1,003	5,637,707	10,218		
Fixed assets				1,095,359			
Amounts to be provided for retirement of long-term obligations				4,166,940	137,765	1,723	5,614,107
<b>Total Assets</b>	<b>\$3,570,505</b>	<b>\$5,852,763</b>	<b>\$534,174</b>	<b>\$18,754,654</b>	<b>\$393,117</b>	<b>\$72,713,372</b>	<b>\$19,661,447</b>

LIABILITIES AND FUND EQUITY

Liabilities	\$ 305,252	\$ 467,788	\$ 88,986	\$ 189,508	\$ 43,345	\$ 1,873,346	\$ 583,517
Accounts payable							
Obligations under reverse repurchase agreements						131,442	
Due to other funds	910,638	1,480,793	39,085	167,269	31,094	1,827,552	73,727
Due to other governments	493,430	527,048	11,280	25,699	495	6,251,541	
Dividends payable				48,000			
Advances from other funds		20,538	10,070	823,924	55,100	23,124	40,740

Tax overpayments	1,239,674	1,148	1,769,733	96,893	
Benefits payable			1,749	329,973	171,813
Deposits	51	6,395	114,750	948,540	
Contracts and notes payable			193,971		
Lottery prizes and annuities			10,391		
Compensated absences payable	73,301			\$ 325,114	490,326
Mortgages and other borrowings					
Net assets available for University of California retirement benefits					10,715,816
Capital lease obligations			43,842		
Advance collections	255,828	61,593	703,436	3,594	1,099,593
General obligation bonds payable			4,661,815		3,366,735
Revenue bonds payable	63,912		6,355,838		
Interest payable	27,133	48,558	267,604		
Other liabilities			30,371	326,839	405,896
Total Liabilities	<u>3,369,219</u>	<u>2,613,861</u>	<u>15,407,900</u>	<u>11,812,844</u>	<u>12,868,369</u>
Fund Equity					
Contributed capital			212,783		4,940,056
Investment in general fixed assets					
Retained earnings			263,435		
Reserved for regulatory requirements			2,870,536		
Unreserved					
Fund balances					
Reserved for encumbrances	308,716	1,212,948		105,521	
Reserved for advances and loans	293,962	580,686			
Reserved for employees' retirement system				56,191,475	
Reserved for other specific purposes		60,279		1,058	850,051
Unreserved					
Designated for subsequent years' expenditures	189,671	485,069			
Designated for University of California					
Undesignated (deficit)	<u>(591,063)</u>	<u>899,920</u>		<u>4,602,474</u>	<u>1,002,971</u>
Total Fund Equity	<u>201,286</u>	<u>3,238,902</u>	<u>3,346,754</u>	<u>60,900,528</u>	<u>6,793,078</u>
Total Liabilities and Fund Equity	<u>\$3,570,505</u>	<u>\$5,852,763</u>	<u>\$18,754,654</u>	<u>\$72,713,372</u>	<u>\$19,661,447</u>

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, 1987  
 (IN THOUSANDS)

	<u>Governmental Fund Types</u>			Fiduciary
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Revenues				
Taxes	\$29,872,113	\$ 778,404		\$3,457,185
Intergovernmental		9,804,735		56,474
Licenses and permits	124,032	1,151,565		
Natural resources	33,386	10,725	\$123,311	
Charges for services	104,666	169,722		55,944
Fees	310,286	317,581		1,050
Penalties	8,812	397,831		
Interest	460,260	193,668		371,754
Other	<u>131,050</u>	<u>208,656</u>	<u>90,000</u>	<u>108,340</u>
Total Revenues	<u>31,044,605</u>	<u>13,032,887</u>	<u>213,311</u>	<u>4,050,747</u>
Expenditures				
Current				
General government	1,108,866	771,655		73,718
Education	16,946,591	1,295,845		47,418
Health and welfare	9,652,049	6,847,729		3,840,860
Resources	459,267	307,440		35,068
State and consumer services	209,590	583,982		71,114
Business and transportation	57,899	2,941,880		12,208
Correctional programs	1,536,058	318,984		
Property tax relief	993,548			
Capital outlay	12,331		623,816	
Debt service				
Principal retirement	271,855			
Interest and fiscal charges	<u>366,680</u>			
Total Expenditures	<u>31,614,734</u>	<u>13,067,515</u>	<u>623,816</u>	<u>4,080,386</u>
Other Financing Sources (Uses)				
Proceeds from general obligation bonds		250,000		
Operating transfers in	246,243	640,384	177,276	77,327
Operating transfers out	<u>(178,170)</u>	<u>(745,095)</u>	<u>(82,403)</u>	<u>(88,309)</u>
Total Other Financing Sources (Uses)	<u>68,073</u>	<u>145,289</u>	<u>94,873</u>	<u>(10,982)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(502,056)	110,661	(315,632)	(40,621)
Fund Balances, July 1, 1986	<u>703,342</u>	<u>3,128,241</u>	<u>700,192</u>	<u>4,749,674</u>
Fund Balances, June 30, 1987	<u>\$ 201,286</u>	<u>\$ 3,238,902</u>	<u>\$384,560</u>	<u>\$4,709,053</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, 1987  
 (IN THOUSANDS)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues</b>						
Taxes		\$31,330,525			\$ 155,542	
Intergovernmental					9,712,914	
Licenses and permits		13,039			1,159,763	
Natural resources		33,386			10,854	
Charges for services		72,319			162,509	
Fees		310,286			317,793	
Penalties		7,619			397,831	
Interest		459,374			183,414	
Other		99,095			228,126	
<b>Total Revenues</b>		<u>32,325,643</u>			<u>12,328,746</u>	
<b>Expenditures</b>						
Current						
General government	\$ 1,172,102	1,080,958	\$ 91,144	\$ 892,013	784,402	\$ 107,611
Education	16,871,800	16,836,283	35,517	1,425,098	1,291,690	133,408
Health and welfare	9,750,585	9,578,656	171,929	7,278,179	7,026,970	251,209
Resources	464,020	449,528	14,492	522,562	440,776	81,786
State and consumer services	217,717	212,281	5,436	1,114,376	844,075	270,301
Business and transportation	59,322	58,039	1,283	3,793,889	3,141,457	652,432
Correctional programs	1,546,658	1,514,918	31,740	163,262	101,632	61,630
Property tax relief	996,456	992,869	3,587			
Capital outlay	12,443	12,443				
Debt service						
Principal retirement	270,085	270,085				
Interest and fiscal charges	367,363	367,363				
<b>Total Expenditures</b>	<u>\$31,728,551</u>	<u>31,373,423</u>	<u>\$355,128</u>	<u>\$15,189,379</u>	<u>13,631,002</u>	<u>\$1,558,377</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from general obligation bonds					250,000	
Operating transfers in		209,581			4,387,457	
Operating transfers out		(186,614)			(3,788,979)	
Other additions		78,279				
<b>Total Other Financing Sources (Uses)</b>		<u>101,246</u>			<u>848,478</u>	
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>		1,053,466			(453,778)	
<b>Fund Balances, July 1, 1986, as restated</b>		<u>710,507</u>			<u>1,491,322</u>	
<b>Fund Balances, June 30, 1987</b>		<u>\$ 1,763,973</u>			<u>\$ 1,037,544</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, 1987  
 (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			
Lottery ticket sales	\$1,392,226		
Services and sales	681,440	\$642,566	
Earned premiums, net	1,038,219		
Investment and interest	735,627		\$ 5,781,833
Contributions			4,527,228
Other	<u>8,396</u>	<u>903</u>	<u>4,756</u>
Total Operating Revenues	<u>3,855,908</u>	<u>643,469</u>	<u>10,313,817</u>
Operating Expenses			
Lottery prizes	693,187		
Personal services	171,309	300,443	29,524
Supplies	26,309	14,813	
Services and charges	483,605	295,096	45,985
Depreciation	65,646	20,366	
Benefit payments	925,800		2,864,678
Interest expense	597,073		
Refunds			164,269
Accrual of deferred charges	<u>(23,334)</u>		
Total Operating Expenses	<u>2,939,595</u>	<u>630,718</u>	<u>3,104,456</u>
Operating Income	<u>916,313</u>	<u>12,751</u>	<u>7,209,361</u>
Nonoperating Revenues (Expenses)			
Grants received	1,267		
Grants provided	(32,412)		
Interest revenue	229,289	232	
Rent	34,144		
Interest expense and fiscal charges	(171,911)	(1,204)	
Gain on early extinguishment of debt	<u>207</u>		
Total Nonoperating Revenues (Expenses)	<u>60,584</u>	<u>(972)</u>	
Operating transfers in	21,562	11,416	
Operating transfers out	(13,023)	(3,177)	
Residual equity transfer out	<u>(66,536)</u>		
Operating Transfers	<u>(57,997)</u>	<u>8,239</u>	
Net Income	918,900	20,018	7,209,361
Dividends paid	(190,625)		
Lottery payments for education	(504,014)		
Retained Earnings/Fund Balances			
July 1, 1986	<u>2,909,710</u>	<u>142,426</u>	<u>48,982,114</u>
Retained Earnings/Fund Balances			
June 30, 1987	<u>\$3,133,971</u>	<u>\$162,444</u>	<u>\$56,191,475</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, 1987  
 (IN THOUSANDS)

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>
<b>Sources of Financial Resources</b>			
From operations			
Net income	\$ 918,900	\$ 20,018	\$ 7,209,361
Add (deduct) items not affecting cash			
Depreciation	65,646	20,366	
Amortization of bond and note discount and premium	10,698		(152,872)
Gain on early extinguishment of debt	(207)		
Accrual of deferred expenses	(8,087)		
Imputed interest earnings	<u>(20,508)</u>		
Total Sources from Operations	966,442	40,384	7,056,489
Proceeds from sale of investments	336,844		12,570,471
Collection of advances and loans	287,836	12,430	2,938,438
Increase in benefits payable	345,684		33,100
Increase in lottery prizes and annuities	116,515		
Issuance of revenue bonds	1,768,773		
Increase in contributed capital	12,707	17,977	
Decrease in due from other funds			14,759
Increase in other liability accounts	164,459	50,810	
Decrease in other asset accounts	<u>115,004</u>	<u>37,466</u>	
Total Sources	<u>4,114,264</u>	<u>159,067</u>	<u>22,613,257</u>
<b>Uses of Financial Resources</b>			
Purchase of investments	959,941		22,539,535
Advances and loans provided	59,641	3,094	
Acquisition of fixed assets	475,848	44,847	913
Retirement of revenue and general obligation bonds	873,218		
Addition to unamortized water project costs	77,224		
Dividends paid	190,625		
Lottery payments for education	504,014		
Decrease in accounts payable		18,415	
Decrease in due to other funds	82,728	25,795	
Increase in other asset accounts	118,900	2,098	25,379
Decrease in other liability accounts	<u>48,376</u>	<u>30,568</u>	<u>22,010</u>
Total Uses	<u>3,390,515</u>	<u>124,817</u>	<u>22,587,837</u>
Net Increase in Cash	<u>\$ 723,749</u>	<u>\$ 34,250</u>	<u>\$ 25,420</u>

See the notes accompanying the financial statements.

STATE OF CALIFORNIA  
COMBINED BALANCE SHEET  
ALL UNIVERSITY OF CALIFORNIA FUNDS  
AS OF JUNE 30, 1987  
(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	\$ 822,868	\$ 60,891	\$ 97,350	\$ 850,264	\$ 73,056	\$ 1,904,429
Investments			486,221		10,534,315	11,020,536
Receivables (net)	403,561	215,507	276		54,970	674,314
Due from other funds	64,500				73,727	138,227
Due from other governments	84,720					84,720
Other assets	177,052			7,323		184,375
Advances and loans receivable	3,730		37,009			40,739
Fixed assets				<u>5,614,107</u>		<u>5,614,107</u>
<b>Total Assets</b>	<u><b>\$1,556,431</b></u>	<u><b>\$276,398</b></u>	<u><b>\$620,856</b></u>	<u><b>\$6,471,694</b></u>	<u><b>\$10,736,068</b></u>	<u><b>\$19,661,447</b></u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Accounts payable	\$ 536,649		\$ 1,721	\$ 24,895	\$ 20,252	\$ 583,517
Due to other funds	73,727					73,727
Advances from other funds		\$ 2,928		37,812		40,740
Deposits	143,494		28,319			171,813
Mortgages and other borrowings	75,000			415,326		490,326
Net assets available for University of California retirement benefits					10,715,816	10,715,816
Revenue bonds payable		<u>63,570</u>		<u>728,860</u>		<u>792,430</u>
<b>Total Liabilities</b>	<u><b>828,870</b></u>	<u><b>66,498</b></u>	<u><b>30,040</b></u>	<u><b>1,206,893</b></u>	<u><b>10,736,068</b></u>	<u><b>12,868,369</b></u>
<b>Fund Equity</b>						
Investment in general fixed assets				4,940,056		4,940,056
Fund balances						
Reserved for other specific purposes	246,240	160,927	380,990	61,894		850,051
Unreserved						
Designated for University of California	<u>481,321</u>	<u>48,973</u>	<u>209,826</u>	<u>262,851</u>		<u>1,002,971</u>
<b>Total Fund Equity</b>	<u><b>727,561</b></u>	<u><b>209,900</b></u>	<u><b>590,816</b></u>	<u><b>5,264,801</b></u>		<u><b>6,793,078</b></u>
<b>Total Liabilities and Fund Equity</b>	<u><b>\$1,556,431</b></u>	<u><b>\$276,398</b></u>	<u><b>\$620,856</b></u>	<u><b>\$6,471,694</b></u>	<u><b>\$10,736,068</b></u>	<u><b>\$19,661,447</b></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, 1987  
 (IN THOUSANDS)

Revenues and Other Additions	
Tuition and fees	\$ 348,650
Federal appropriations, grants, and contracts	743,083
State appropriations, grants, and contracts	1,849,729
Private gifts, grants, and contracts	215,293
Sales and services	
Educational activities	330,614
Auxiliary enterprises	296,743
Teaching hospitals	862,741
Local government	35,889
Major Department of Energy laboratories	2,033,112
Other	<u>199,742</u>
Total Revenues and Other Additions	<u>6,915,596</u>
Expenditures and Other Deductions	
Instruction	1,238,222
Research	831,913
Public services	109,217
Academic support	479,046
Teaching hospitals	883,608
Student services	173,654
Institutional support	288,471
Operation and maintenance of plant	203,044
Student financial aid	156,599
Auxiliary enterprises	255,479
Major Department of Energy laboratories	2,025,349
Other	<u>11,901</u>
Total Expenditures and Other Deductions	<u>6,656,503</u>
Other Financing Uses	
Transfers out	<u>(173,609)</u>
Net Increase in Fund Balance	85,484
Fund Balances, July 1, 1986	<u>642,077</u>
Fund Balances, June 30, 1987	<u>\$ 727,561</u>

See the notes accompanying the financial statements.

STATE OF CALIFORNIA  
 COMBINED STATEMENT OF CHANGES IN FUND BALANCES  
 UNIVERSITY OF CALIFORNIA FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1987  
 (IN THOUSANDS)

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment &amp; Similar Funds</u>	<u>Plant Funds</u>
Revenues and Other Additions				
Unrestricted current fund revenues				
General	\$2,585,644			
Auxiliary enterprises and hospitals	1,159,484			
Restricted gifts, grants, and contracts	2,970,726	\$ 841	\$ 20,260	\$ 50,231
Investment and interest income	92,898	4,988	1,364	37,017
Net gain on sale of investments	305		27,912	5,427
Governmental grants and contracts		3,022		1,041
Debt service fees				5,918
Governmental appropriations				39,459
Expended for plant facilities (including \$281,515 financed from current funds)				466,853
Retirement of indebtedness				53,382
Gain on refinancing of bonds				26,053
Other	<u>106,539</u>	<u>5,955</u>	<u>118</u>	<u>5,169</u>
Total Revenues and Other Additions	<u>6,915,596</u>	<u>14,806</u>	<u>49,654</u>	<u>690,550</u>
Expenditures and Other Deductions				
Current fund expenditures	6,644,602			
Plant fund expenditures				139,383
Debt service				
Principal retirement				53,382
Interest				49,565
Disposals of plant assets				70,465
Other	<u>11,901</u>	<u>8,556</u>	<u>600</u>	<u>3,515</u>
Total Expenditures and Other Deductions	<u>6,656,503</u>	<u>8,556</u>	<u>600</u>	<u>316,310</u>
Transfers in (out)	<u>(173,609)</u>	<u>1,697</u>	<u>(4,912)</u>	<u>176,824</u>
Net Increase in Fund Balances	85,484	7,947	44,142	551,064
Fund Balances, July 1, 1986	<u>642,077</u>	<u>201,953</u>	<u>546,674</u>	<u>4,713,737</u>
Fund Balances, June 30, 1987	<u>\$ 727,561</u>	<u>\$209,900</u>	<u>\$590,816</u>	<u>\$5,264,801</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 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.

### 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, 1987. 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 Governmental Accounting Standards Board, 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, 1987, approximately \$1.7 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, 1986. The State Compensation Insurance Fund represents 13.4 percent and 30.6 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 specific 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 is 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, certain 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 assets and liabilities 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 the governmental fund types and expendable trust funds 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. Tax revenues generally are recognized when cash is received and are adjusted when over- and underpayments of taxes can be identified. Other revenue sources are recorded when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months.

The State's accounting practices include an exception to the modified accrual basis of accounting with respect to vacation leave expenditures. These expenditures are recorded when paid because no satisfactory basis exists 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 8.

The State also uses 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.

Agency funds are custodial in nature and do not measure the results of operations. Receivables and payables are recorded using the modified accrual basis of accounting.

Proprietary Fund Types and Pension Trust Funds

The accounts of these fund types are reported using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when the liabilities are incurred. Lottery revenue and the related prize expense are recognized when tickets are sold. Lottery prize expense is based upon a predetermined prize structure. Grand prizes of \$700,000 or more are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

University of California

The University of California funds are accounted for on the accrual basis of accounting except for depreciation, which is recorded only on the investments of endowment and similar funds in real estate. 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 7 for detail.) Water projects, which represent 61.9 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 17.5 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 value 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 1986-87 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 basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office maintains overall control of all 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 annually reports the State's financial condition based on generally accepted accounting principles (GAAP basis) 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 as shown below. 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.

### Liability for the Medi-Cal Program

Medi-Cal (California Medical Assistance Program) expenditures are, by law, accounted for on a 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.

### Liability for Tax Overpayments and Advance Collections

Tax overpayments, including tax revenue collected in excess of the appropriations limit established by Article XIII B of the California Constitution, and tax payments under appeal are recorded as revenue on the legal basis. On the legal basis, no liability was recorded for tax revenues collected in excess of the appropriations limit because no money was appropriated to be returned to taxpayers until September 1987. Notes 21 and 22 provide additional information on the appropriations limit and tax revenue collected in excess of the appropriations limit. Liabilities for these tax overpayments and advance collections are accrued 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 beginning fund balance on the GAAP basis is not affected by these adjustments.

### Other

Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with generally accepted accounting principles. The other adjustments relate to lawsuits and compensated absences. A liability for claims arising from lawsuits, \$53.8 million, is not accrued on the legal basis because no money has been appropriated. As discussed in Note 8, the compensated absence liability, \$73.3 million, for earned vacation of faculty of the California State University and of the special schools of the State Department of Education, is not accrued on the legal basis. These liabilities are accrued in the General Fund in accordance with generally accepted accounting principles. Because there is a deficit on the GAAP basis, the special account for economic uncertainties is reclassified as undesignated fund balance.

STATE OF CALIFORNIA  
GENERAL FUND  
RECONCILIATION OF LEGAL BASIS TO GAAP BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 1987  
(IN THOUSANDS)

ADJUSTMENTS TO THE LEGAL BASIS

	Legal Basis	Encumbrances	Liability for the Medi-Cal Program	Advances and Loans Receivable	Liability for Tax Overpayments and Advance Collections	Restatement of Fund Balance	Other	GAAP Basis
Cash and pooled investments	\$ 1,725,628							\$ 1,725,628
Receivables (net)	96,861						(2,321)	94,540
Due from other funds	1,286,742						19,250	1,305,992
Due from other governments	35,286						(811)	34,475
Prepaid expenses	102,613						12,581	115,194
Other assets	714						714	714
Advances and loans receivable	7,500			\$293,962			(7,500)	293,962
Total Assets	<u>\$ 3,255,344</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$293,962</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,199</u>	<u>\$ 3,570,505</u>

ASSETS

Cash and pooled investments  
Receivables (net)  
Due from other funds  
Due from other governments  
Prepaid expenses  
Other assets  
Advances and loans receivable

Total Assets

LIABILITIES AND FUND EQUITY

Liabilities	\$ 593,939	\$(218,395)	\$ 593,481					\$ (70,292)	\$ 305,252
Accounts payable	292,403	(37,303)						62,057	910,638
Due to other funds	463,252	(53,018)						83,196	493,430
Due to other governments									1,239,674
Tax overpayments									51
Deposits									73,301
Compensated absences payable									255,828
Advance collections									63,912
Interest payable									27,133
Other liabilities									1,444,821
Total Liabilities	<u>1,491,371</u>	<u>(308,716)</u>	<u>593,481</u>		<u>1,444,821</u>		<u>148,262</u>	<u>3,369,219</u>	
Fund Equity									
Fund balances		308,716		\$293,962					308,716
Reserved for encumbrances									293,962
Reserved for advances and loans									
Special fund for economic uncertainties									
Unreserved	1,046,000								
Designated for subsequent years' expenditures									
Undesignated (deficit)	189,671		(593,481)					918,937	189,671
Total Fund Equity	<u>1,763,973</u>	<u>308,716</u>	<u>(593,481)</u>	<u>293,962</u>			<u>(127,063)</u>	<u>201,286</u>	
Total Liabilities and Fund Equity	<u>\$ 3,255,344</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$293,962</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,199</u>	<u>\$ 3,570,505</u>	



STATE OF CALIFORNIA  
SPECIAL REVENUE FUND RECONCILIATION  
OF LEGAL BASIS TO GAAP BASIS  
AS OF JUNE 30, 1987  
(IN THOUSANDS)

Fund Balances, June 30, 1987 - Legal Basis	\$1,037,544
Encumbrances	1,212,948
Advances or loans to other funds	580,686
Commitments for future school construction	391,484
Deposits for condemnation proceedings	60,279
Other	<u>(44,039)</u>
Fund Balances, June 30, 1987 - GAAP Basis	<u>\$3,238,902</u>

4. Cash and Pooled Investments, Investments, and Obligations Under Reverse Repurchase Agreements

The State Treasurer's Office and the treasurer of the Regents of the University of California each administer a pooled 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 enterprise, trust and agency, and University of California funds also have separate investments.

Beginning this year, each contributing fund's share of the State Treasurer's pool is reported in the contributing fund's cash and pooled investments account. At June 30, 1987, the amount reclassified was \$7.8 billion. In previous years, this amount was reported as due from the Surplus Money Investment Fund, an agency fund.

The State Treasurer's Office has agreements with certain banks to maintain cash on deposit that does not earn interest income for the State. Income earned on these deposits compensates the banks for services and uncleared checks that are deposited in the State's accounts. At June 30, 1987, the agreements provided that the State maintain approximately \$90 million on deposit to compensate the banks for services and \$218 million to compensate the banks for uncleared checks.

As of June 30, 1987, the average remaining life of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 13 months. The average remaining life of the securities in the pooled 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.

The following sections, A through C, relate to the activities of the State, excluding the University of California. Section D presents the investments of the University of California.

A. Deposits

All demand and time deposits, which total \$708 million, that were held by financial institutions at year end were insured by federal depository insurance or by collateral held by the State or by an agent of the State in the State's name. The California Government Code requires collateral pledged for demand and time deposits to be held by the State or an agent of the State in the State's name.



As of June 30, 1987, the State had amounts on deposit with fiscal agents totaling \$45 million. These deposits, which were for principal and interest payments due to bond and note holders, are required by federal banking regulations to be collateralized.

B. Investments

State statutes, bond resolutions, investment policy resolutions, and retirement system investment resolutions allow the State to invest in United States government securities, Canadian government securities, state and municipal securities, certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, mortgage loans and notes, other debt securities, repurchase agreements, equity securities, real estate, investment agreements, mutual funds, and other investments.

All investments held as of June 30, 1987, were insured or registered in the State's name or held by the State or an agent of the State in the State's name. The types of investments held at year end are representative of the types of investments made during the fiscal year. Furthermore, the credit risk associated with the investments held at year end is representative of the credit risk associated with investments made during the fiscal year.

The following table presents the carrying value and market value of the investments that were held by the State on June 30, 1987.

INVESTMENTS  
AS OF JUNE 30, 1987  
(IN THOUSANDS)

	Pooled Investments			Separately Invested Funds					
	Carrying Value	Market Value		Enterprise Funds		Trust and Agency Funds		Market Value	
				Carrying Value	Market Value	Carrying Value	Market Value		
U.S. government securities and Canadian government agency securities	\$ 5,845,903	\$ 6,057,200	\$	924,839	\$ 975,968	\$	4,815,533	\$ 5,233,235	
State and municipal securities				80,075	96,751		543,454	601,529	
Certificates of deposit	3,295,853	3,289,436		374,305	374,305		4,988,621	4,910,411	
Bankers' acceptances	2,712,347	2,751,022		993	993		708,199	708,199	
Commercial paper	2,034,909	2,034,909		24,791	24,791		398,024	398,024	
Corporate bonds	2,159,216	2,159,238		1,239,098	1,316,195		1,098,684	1,098,684	
Mortgage loans and notes							2,228,465	2,480,716	
Other debt securities							14,197,159	14,721,984	
Repurchase agreements	1,489,500	1,489,500					1,443,041	1,568,851	
Equity securities							586,551	586,551	
Real estate							21,287,447	31,467,146	
Investment agreements				788,633	791,297		1,940,479	1,957,403	
Mutual funds							806,256	806,256	
Other investments				37,438	37,438		44,899	44,899	
<b>Total Investments</b>	<b>\$17,537,728</b>	<b>\$17,781,305</b>		<b>\$3,470,172</b>	<b>\$3,617,738</b>		<b>\$55,086,812</b>	<b>\$66,583,888</b>	

The market values of the investments in certain certificates of deposit, commercial paper, and repurchase agreements approximate their carrying values because of the short-term nature of those securities.

Included in the investments of the enterprise funds are the investments of the State Compensation Insurance Fund as of and for the year ended December 31, 1986. The State Compensation Insurance Fund represents 55 percent and 56 percent, respectively, of the carrying value and market value of the enterprise funds investments.

C. Reverse Repurchase Agreements

The Government Code allows the State to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract amount of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the State or provide securities or cash of equal value, the State would suffer an economic loss equal to the difference between the market value plus the accrued interest of the underlying securities and the agreement obligation, including accrued interest. However, at June 30, 1987, the market value plus accrued interest and the carrying value of the State's investments in reverse repurchase agreements were approximately \$128 million and \$121 million, respectively. Since, at June 30, 1987, the cash received plus accrued interest totaled \$131 million for the securities sold, there was no credit risk to the State.

D. Investments of the University of California

As discussed in Note 2, 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, which do not require the disclosure of credit risk. The investments of the endowment and similar funds and the investments of the pooled investment program are reported at cost. The investments of the University of California Retirement Funds are reported at market value. As of June 30, 1987, the pooled investments had a carrying value of \$1.9 billion, which approximates market value. The following schedule presents the investments other than those of the pooled investment program as of June 30, 1987 (in thousands):

	<u>Endowment and Similar Funds</u>		<u>University of California Retirement System Funds</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Common stocks	\$339,496	\$ 818,495	\$3,877,532	\$ 8,175,083
Bonds	77,866	81,004	849,659	951,733
Bond substitutes	51,686	103,177	542,747	883,853
Mortgage loans and notes	6,887	6,451	3,490	3,125
Miscellaneous investments	1,685	1,685	520,521	520,521
Real estate	<u>8,601</u>			
Total	<u>\$486,221</u>	<u>\$1,010,812</u>	<u>\$5,793,949</u>	<u>\$10,534,315</u>

5. 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, 1987 (in thousands):

<u>Purpose</u>	<u>Cash and Pooled Investments</u>	<u>Investments</u>
Debt service	\$ 879,758	\$164,808
Construction	271,537	
Equipment repair and replacement	25,747	
Deposits	<u>1,749</u>	
Total Restricted Assets	<u>\$1,178,791</u>	<u>\$164,808</u>

6. Deferred Charges

The deferred charges account in the enterprise fund type represents operating and maintenance costs and unrecovered capital costs 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.

7. 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, 1987 (in thousands):

	<u>Proprietary Fund Types</u>		University of California
	<u>Enterprise</u>	<u>Internal Service</u>	
State water projects	\$2,943,923		
Toll facilities	673,306		
Other land, improvements, buildings, and equipment	669,971	\$237,963	\$5,408,159
Construction in progress	<u>456,397</u>	<u>          </u>	<u>205,948</u>
Total Fixed Assets	4,743,597	237,963	5,614,107
Less accumulated depreciation	<u>576,657</u>	<u>100,198</u>	<u>          </u>
Net Fixed Assets	<u>\$4,166,940</u>	<u>\$137,765</u>	<u>\$5,614,107</u>

8. Compensated Absences Payable

As of June 30, 1987, the State's estimated liability for compensated absences related to accumulated vacation leave amounted to approximately \$422 million. Of this amount, \$325 million is reported in the General Long-Term Obligations Account Group, \$24 million is reported in the proprietary fund types, and \$73 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 reported as a current liability in the General Fund. Employees are not paid for accumulated sick leave balances. However, unused sick leave balances convert to service credits upon retirement.

9. 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. The General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds reimburse the General Fund for the debt service provided on their behalf.

A. Changes in Bond Indebtedness

The following schedule summarizes the changes in general obligation bond debt for the year ended June 30, 1987 (in thousands):

	<u>Balance July 1, 1986</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1987</u>
General Long-Term Obligation	\$3,388,590	\$250,000	\$271,855	\$3,366,735
Enterprise Funds	<u>4,935,135</u>	<u>          </u>	<u>273,320</u>	<u>4,661,815</u>
Total General Obligation Bonds	<u>\$8,323,725</u>	<u>\$250,000</u>	<u>\$545,175</u>	<u>\$8,028,550</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, 1987 (in thousands):

	<u>Outstanding</u>	<u>Authorized but Unissued</u>
<u>General Long-Term Obligations</u>		
New Prison Construction	\$ 712,750	\$ 500,000
School Building Lease-Purchase	659,655	1,000,000
County Jail Capital Expenditure	254,975	255,000
Clean Water and Water Conservation	252,710	45,000
Clean Water	248,000	330,000
State Parklands	182,175	45,000
State, Urban, and Coastal Park	160,390	25,000
State Beach, Park, Recreational and Historical Facilities	156,860	
Safe Drinking Water	155,370	170,000
State Construction	155,200	
Park and Recreational Facilities	89,000	275,000
Health Science Facilities	73,995	
Community College Construction	63,250	
Higher Education Construction	52,080	
Senior Center	47,500	
Lake Tahoe Acquisitions	28,000	55,000
Fish and Wildlife Habitat Enhancement	27,500	55,000
Recreation and Fish and Wildlife Enhancement	21,000	
Junior College Construction	13,300	
Harbor Development	13,025	
County Correctional Facility		495,000
Higher Education Facilities		400,000
Water Conservation and Quality		150,000
Community Parklands		100,000
	<hr/>	
Total General Long-Term Obligations	<u>3,366,735</u>	<u>3,900,000</u>
<u>Enterprise Funds</u>		
California Veterans	2,823,765	850,000
Water Resource Development	1,364,725	180,000
State School Building Aid	416,475	40,000
Hazardous Substance Cleanup	47,500	50,000
First-Time Home Buyers	9,350	185,000
	<hr/>	
Total Enterprise Funds	<u>4,661,815</u>	<u>1,305,000</u>
Total General Obligation Bonds	<u>\$8,028,550</u>	<u>\$5,205,000</u>

C. Debt Service Requirements

The following schedule shows the debt service requirements for general obligation bonds, including interest of \$5.7 billion, as of June 30, 1987 (in thousands):

<u>Year Ending June 30</u>	<u>General Long-Term Obligations</u>	<u>Enterprise Funds</u>
1988	\$ 520,036	\$ 537,844
1989	486,992	518,866
1990	459,910	493,628
1991	440,984	474,353
1992	411,679	447,060
Thereafter	<u>3,065,646</u>	<u>5,849,392</u>
Total	<u>\$5,385,247</u>	<u>\$8,321,143</u>

10. Revenue Bonds and Notes Payable

With approval in advance from the 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.

The Department of Water Resources, the California State University, the California Transportation Commission, the State Public Works Board, and the University of California 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 the farm and home loans financed by the 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, 1987 (in thousands):



	<u>Balance July 1, 1986</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1987</u>
Enterprise Funds	\$5,176,472	\$1,768,773	\$589,407	\$6,355,838
University of California	<u>308,800</u>	<u>553,150</u>	<u>69,520</u>	<u>792,430</u>
Total Revenue Bonds	<u>\$5,485,272</u>	<u>\$2,321,923</u>	<u>\$658,927</u>	<u>\$7,148,268</u>

B. Revenue Bonds Outstanding

The following schedule shows revenue bonds outstanding as of June 30, 1987 (in thousands):

	<u>Outstanding</u>
<u>Enterprise Funds</u>	
California Housing Finance Agency	\$2,452,934
Department of Water Resources	1,245,599
Department of Veterans Affairs	1,135,025
State Public Works Board	1,090,458
California State University	215,168
California Student Loan Authority	102,185
California Transportation Commission	89,432
California National Guard	<u>25,037</u>
Total Enterprise Funds	6,355,838
<u>University of California</u>	
Regents of the University of California	<u>792,430</u>
Total Revenue Bonds	<u>\$7,148,268</u>

Outstanding revenue bonds totaling \$6.9 million for Hastings College of Law are not included in the accompanying financial statements. In addition, outstanding revenue bonds totaling \$50 million for the California School Financing Authority (authority) are not included in the accompanying financial statements. These bonds constitute limited obligations of the authority.

C. Debt Service Requirements

The following schedule shows the debt service requirements for revenue bonds, including interest of \$10.4 billion, as of June 30, 1987 (in thousands):

<u>Year Ending June 30</u>	<u>Enterprise Funds</u>	<u>University of California</u>
1988	\$ 601,281	\$ 49,745
1989	617,027	52,415
1990	639,465	52,425
1991	639,000	54,442
1992	687,289	54,291
Thereafter	<u>12,473,507</u>	<u>1,650,031</u>
Total	<u>\$15,657,569</u>	<u>\$1,913,349</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, 1987 (in thousands):

<u>Enterprise Funds</u>	<u>Outstanding</u>
State Public Works Board	\$114,541
Department of Health Services	<u>209</u>
Total Notes Payable	<u>\$114,750</u>

E. Early Extinguishments of Debt

During the year ended June 30, 1986, the Department of Water Resources issued \$206.7 million of Central Valley Project Revenue Bonds, Series H, and used \$183.5 million of the proceeds to satisfy a debt of \$163.7 million for Series C and D bonds. The department invested the \$183.5 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to pay all principal and interest on the Series C and D bonds as they become due and to redeem such bonds on December 1, 1992.

During April 1985, the Department of Water Resources issued \$239.5 million of Central Valley Project Facilities Revenue Bonds, Series G, and used \$236.9 million of the proceeds to satisfy a debt of \$200 million for Series B revenue bonds. The department invested the \$236.9 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to pay all principal and interest on the Series B revenue bonds as they become due and to redeem such bonds on December 1, 1992. As of June 30, 1987, \$197.4 million of the Series B bonds remained outstanding.

Since the escrow arrangements effectively release the Department of Water Resources from its obligations for the \$163.7 million and the remaining \$197.4 million of the \$200 million, the liability for the bonds is not included on the combined balance sheet, nor are the related investments.

11. 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, 1987 (in thousands):

	<u>Outstanding</u>
Health Facilities	\$3,612,999
Pollution Control	2,750,886
Educational Facilities	718,934
Alternate Energy Source	<u>114,064</u>
Total No-Commitment Debt	<u>\$7,196,883</u>

12. 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, 1987, is approximately \$2.7 billion. 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 and other 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.

Certain state educational and correctional institutions have entered into lease-purchase agreements with the State Public Works Board amounting to a present value of net minimum lease payments of \$917 million. These lease payments will be used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the construction of facilities for these institutions. Upon expiration of these leases, jurisdiction of the educational and correctional facilities will pass from the State Public Works Board to the state educational and correctional institutions.

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>
1988	\$134,095	\$ 95,027	\$ 229,122
1989	102,836	103,959	206,795
1990	79,098	104,740	183,838
1991	57,318	126,923	184,241
1992	41,258	121,635	162,893
Thereafter	<u>102,294</u>	<u>1,656,171</u>	<u>1,758,465</u>
Total Minimum Lease Payments	<u>\$516,899</u>	<u>2,208,455</u>	<u>\$2,725,354</u>
Less amount representing interest		<u>1,053,174</u>	
Present Value of Net Minimum Lease Payments		<u>\$1,155,281</u>	

Lease expenditures for the year ended June 30, 1987, amounted to approximately \$228 million.

University of California rental expenditures for the years ended June 30, 1987 and 1986, totaled \$37 million and \$35 million, respectively. Minimum payments required under capital and noncancelable operating leases in fiscal year 1987-88 are \$13.7 million and decrease in amount thereafter.

B. Loan and Construction

As of June 30, 1987, loan programs for housing, school building lease-purchase, school building aid, harbors and waterways, supply systems for domestic water, energy conservation, and economic development had loan commitments totaling approximately \$1.22 billion. 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 \$276 million for the construction of water projects and the construction and rehabilitation of toll bridge facilities. Construction projects of the University of California, totaling \$581 million, had been authorized as of June 30, 1987.

C. Encumbrances

At June 30, 1987, encumbrances of the special revenue funds totaled \$1.21 billion. This amount does not include commitments of \$1.49 billion for construction projects for various highways and county jails. The commitments for highway projects in the amount of \$1.36 billion are excluded 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. The commitments for county jail projects in the amount of \$132 million are excluded because the additional money to fully fund these commitments will be obtained from the future sale of general obligation bonds.

D. New Prison Construction

Sections 7104, 7204, and 7304 of the Penal Code authorize the issuance of \$1.3 billion of general obligation bonds to finance the State's new prison construction program. In addition, sections 15819.3 and 15819.20 of the Government Code authorize the use of lease purchase financing arrangements and the issuance of lease revenue bonds of \$975 million to finance new prison construction. In September 1987, the Legislature also approved the sale of an additional \$225 million in lease revenue bonds to finance the new prison construction program.

As of June 30, 1987, the State had issued \$795 million of the general obligation bonds authorized by the Penal Code. In addition, the State, through the Public Works Board, issued

\$932 million of lease revenue bonds for prison construction. Of the total \$1.727 billion, approximately \$879 million had been spent and \$54 million was encumbered. The remaining \$794 million will be used in the future.

E. County Jail Construction

Sections 4414, 4464, and 4484 of the Penal Code authorize the issuance of general obligation bonds totaling \$1.025 billion to finance the county jail construction program.

As of June 30, 1987, the State had issued \$275 million of the general obligation bonds and received income of approximately \$44 million. Of the \$319 million available from the sale of general obligation bonds and income received, \$151 million has been spent, \$14 million was reported as encumbrances, and \$154 million is designated for subsequent years' expenditures.

13. Major Tax Revenues

Tax revenues for the year ended June 30, 1987, are as follows (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>
Sales and use	\$10,904,022	\$622,862	
Personal income	13,911,912		
Bank and corporation	4,655,752		
Unemployment insurance			\$1,548,316
Disability insurance			1,894,764
Other	<u>1,538,427</u>	<u>155,542</u>	<u>14,105</u>
Subtotal	31,010,113	778,404	3,457,185
Less tax revenue in excess of the appropriations limit*	<u>1,138,000</u>		
Total	<u>\$29,872,113</u>	<u>\$778,404</u>	<u>\$3,457,185</u>

\* Chapters 908 and 915, Statutes of 1987, required that tax revenues of the 1986-87 fiscal year in excess of the appropriations limit be returned to qualified taxpayers by January 15, 1988. Refer to notes 21 and 22.

14. 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, 1987:

<u>Retirement System</u>	<u>State</u>	<u>Other</u>	<u>Benefit Recipients</u>	<u>Total</u>
Public				
Employees	197,433	378,111	223,000	798,544
State Teachers	112	316,748	111,706	428,566
University of California	85,707		11,520	97,227
Judges	168	1,207	870	2,245
Legislators	172		220	392

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 1986-87 (in thousands):

<u>Retirement System</u>	<u>State</u>	<u>Public Agencies</u>	<u>Members</u>	<u>Total Contributions</u>
Public				
Employees	\$885,401	\$1,021,221	\$765,630	\$2,672,252
State Teachers	387,434	726,350	703,887	1,817,671
University of California	279,188		173,791	452,979
Judges	23,177	4,194	8,716	36,087
Legislators	861		357	1,218

The assets and liabilities of the University of California Retirement System are 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>Retirement System</u>	<u>Date of Last Actuarial Valuation</u>	<u>State Share of Unfunded Actuarial Liability</u>	<u>Total Unfunded Actuarial Liability</u>
Public Employees	6/30/86	\$6,054	\$ 9,830
State Teachers	6/30/85	Unknown	10,945
University of California	6/30/87	1,148	1,148
Judges	6/30/84	Unknown	620
Legislators	6/30/84	20	20

The Education Code requires the State to provide supplemental funding to the State Teachers' Retirement System 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 1986-87 fiscal year, the \$144 million increased to \$234 million because of changes in the California Consumer Price Index. Further, the State made an additional contribution of \$120 million for fiscal year 1986-87. The Education Code provides for additional annual contributions as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
1987-88	\$140 million	1991-92	\$220 million
1988-89	160 million	1992-93	240 million
1989-90	180 million	1993-94	260 million
1990-91	200 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 \$279.2 million for fiscal year 1986-87. In 1983, the State deferred the employer contribution appropriation to the University of California. The State agreed to pay the amount deferred in actuarially equivalent annual installments over the next 30 years. The outstanding amount of \$64.5 million is reported as a receivable in the Current Funds of the University of California and as an interfund receivable and payable between the University of California's Retirement System Funds and Current Funds. However, the State will pay this amount from future years' appropriations. The State's General Fund does not recognize liabilities for amounts to be paid from future years' appropriations.

15. Postretirement Health Care Benefits

In addition to providing pension benefits, the State also provides certain health care benefits for eligible retired employees and their survivors. The cost of retiree health care is recognized as an expenditure when the benefits are paid. The cost of providing these benefits for retirees in fiscal year 1986-87 was \$150.5 million, including \$34 million for the University of California.

16. Deferred Compensation Plan

The State offers its eligible employees a deferred compensation plan in accordance with the Internal Revenue Code, Section 457. Eligible employees may defer receiving portions of their salaries, thereby deferring taxation on those portions, until they leave state service or face a serious financial emergency. The participants direct the plan administrator, the State, to invest the deferred amounts among nine investment options. The cost of administration and all funding are the responsibility of those participating in the plans. The State makes no contribution 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, 1987, the total market value of assets in the deferred compensation plan was approximately \$807 million. Of this amount, \$797 million is reported in investments, \$10 million in due from other funds, and the corresponding liability of \$807 million is included in deposits. The assets and the liability are reported in an agency fund.

17. Guaranty Deposits

The State is custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of

obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

18. 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)

	<u>Housing Loan</u>	<u>Water</u>	<u>State Compensation Insurance</u>	<u>Student Loans and School Building Aid</u>	<u>Toll Facilities</u>	<u>State University</u>	<u>Leasing of Public Assets</u>	<u>Lottery</u>	<u>Other Enterprises</u>
Operating Revenue	\$ 497,782	\$ 369,593	\$ 1,261,177	\$ 40,939	\$ 83,672	\$ 128,719	\$ 16,573	\$ 1,392,232	\$ 65,221
Operating Income (Loss)	(107,627)	146,140	261,278	15,542	55,360	49,914	2,834	493,258	(386)
Net Income	11,281	48,252	261,278	47,434	46,550	31,119	(58,832)	504,014	27,804
Property, Plant, and Equipment Additions		37,458	4,005	15,093	19,329	38,575	263,148	85,872	12,417
Deductions	30						1		18
Total Assets	7,537,973	4,434,113	2,516,508	796,763	937,898	532,862	1,275,309	388,559	334,669
Bonds and Other Long-Term Liabilities	6,605,283	3,042,215		722,598	111,740	215,168	1,208,797	237,813	50,526
Total Equity	598,394	762,568	576,365	68,530	815,206	260,057	25,046	240,588	240,588

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, 1986.

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.

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.

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

Lottery - Sale of lottery tickets.

Other Enterprises - Gasoline taxes and fees related to boating activities, canteen revenues, and processing fees charged by various other departments and authorities.

## 19. 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, 1987; legal proceedings that were in progress at June 30, 1987, and that were settled or decided against the State as of December 4, 1987; and those legal proceedings having a high probability of resulting in a decision against the State as of December 4, 1987, and for which amounts could be estimated. For governmental fund types and expendable trust funds, 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.

Following are the more significant lawsuits pending against the State:

The State is the defendant in two suits seeking reimbursement for alleged state mandated costs. In City of Sacramento v. Employment Development Department, the plaintiffs are seeking reimbursement of alleged state-mandated unemployment insurance costs. The claimed costs exceed \$200 million. The case is currently on appeal after a favorable judgment to the State. In a separate case, the State is the defendant in Jesse R. Huff v. Commission on State Mandates, in which the state Director of Finance is appealing a 1984 decision by the State Board of Control. The Board of Control decided in favor of local school districts' claims for reimbursement for "special education" programs for handicapped students; however, funds have not been appropriated. The amount of potential liability to the State has been estimated by the Department of Finance as over \$1 billion.

The State is a defendant in two suits related to contamination at the Stringfellow Toxic Waste Site. In one suit, the State is one of approximately 150 defendants in Penny Newman v. J. B. Stringfellow, in which 4,600 plaintiffs are claiming

damages of \$850 million arising from contamination at the Stringfellow Toxic Waste Site. The State is a defendant because it chose the site and approved the deposit of toxic wastes. In a separate suit, the State is one of several defendants in United States, People of the State of California v. J. B. Stringfellow, Jr. The plaintiffs are seeking recovery for past costs of cleanup of the site and an injunction ordering completion of the cleanup. Present estimates range from \$100 million to \$500 million. The State is a defendant because it is the current owner of the site. In both of the above cases, the potential liability of the State in the event of an adverse outcome of the litigation is unknown.

The State is the defendant in Woosley v. California, a class action suit. The suit alleges overcharges of vehicle license fees and use taxes for out-of-state vehicles that were registered in California from 1975 to 1983. The suit also alleges overcharges of use taxes on all used vehicles registered since 1976. On June 30, 1986, the potential loss from refunds of the vehicle license fees was estimated at \$300 million, and the potential loss from refunds of use taxes was estimated at \$250 million. The case is currently on appeal to a district court of appeal, after an adverse judgement to the State. The State intends to litigate this case to the United States Supreme Court, if necessary.

The State is a defendant in a coordinated action involving 3,500 plaintiffs seeking recovery for damages caused by the Yuba River flood of February 1986. The potential liability to the State in the event of an adverse outcome of the litigation has been estimated to be in excess of \$100 million.

#### B. Federal Audit Exceptions

The State 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 \$373 million as of June 30, 1987. 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.

20. California State Lottery

For the fiscal year ended June 30, 1987, lottery ticket sales totaled approximately \$1.4 billion. The Lottery Fund also earned interest revenue of \$14 million. Of the total revenues, \$693 million (49 percent) was paid for lottery prizes and \$504 million (36 percent) was distributed for educational purposes. Lottery operating expenses amounted to \$206 million (15 percent). The lottery prizes and annuities account consists of \$40.1 million in current and \$153.8 million in long-term liabilities.

21. Appropriations Limit

The State is subject to an annual appropriations limit imposed by Article XIII B of the California Constitution. The California Constitution establishes a limit on the growth of certain appropriations made from state tax revenues, adjusted annually for inflation and population growth. All tax revenue received must be appropriated under the provisions of Article XIII B or returned to the taxpayers. Any funds not appropriated for specific purposes are appropriated annually to a special account for economic uncertainties in each fund.

The California Constitution imposes no limit on appropriations or funds obtained through nontax sources, such as from reasonable user charges or fees and bond proceeds. The state appropriations limit is also exclusive of certain appropriations such as state subventions to local governments that are not restricted in their use. State appropriations to local governments without restrictions are considered tax proceeds for local entities, subject to each local entity's revenue and appropriations limit.

The appropriations limit is established each year in the budget act and is amended during the fiscal year for transfers of fiscal responsibility between the state and local governments. The budget act provides that any judicial action or proceeding to attack, review, set aside, void, or annul the revenue and appropriations limit must begin within 45 days of the effective date of the act. There were no such actions for fiscal year 1986-87.

The governor has reported that the state appropriations limit and appropriations subject to the limit for fiscal year 1986-87 were as follows (in billions):

State appropriations limit	\$24.311
Appropriations subject to limit	<u>25.449</u>
Amount under (over) limit	<u>\$(1.138)</u>

## 22. Subsequent Events

During the 1986-87 fiscal year, the State's tax revenues exceeded the appropriations limit by approximately \$1.1 billion. In September 1987, legislation was passed requiring the return of this amount to the taxpayers no later than January 15, 1988. This liability is recorded in the tax overpayment account of the General Fund along with a corresponding reduction in the tax revenues of the General Fund.

In August and November 1987, the State Treasurer's Office issued \$800 million and \$1.3 billion, respectively, in revenue anticipation notes to fund the State's cash flow needs for fiscal year 1987-88. These notes will mature on June 30, 1988.

From July 1, 1987, to December 18, 1987, the State Treasurer's Office sold \$267 million in revenue bonds. In September 1987, the University of California sold approximately \$22 million in revenue bonds. In September 1987, the University sold approximately \$40 million in certificates of participation.

Between June 30 and October 31, 1987, the equity securities of the State Teachers' Retirement Fund and the Public Employees' Retirement Fund have experienced a decline in market value of approximately \$3.4 billion and \$4.5 billion, respectively.

University of California funds with investments in common stocks have experienced a significant decline in market value since June 30, 1987. The largest of these, University of California Retirement System funds, had a market value decline of approximately \$1.2 billion as of October 30, 1987.

**STATISTICAL SECTION**



STATE OF CALIFORNIA  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION\*  
AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1982 THROUGH 1987  
(IN THOUSANDS)

	1982	1983	1984	1985	1986	1987
General government	\$ 1,236,446	\$ 1,179,961	\$ 1,443,012	\$ 1,718,147	\$ 2,157,385	\$ 1,880,521
Education	11,810,007	11,937,770	13,229,285	14,991,210	16,953,147	18,242,436
Health and welfare	12,562,103	12,489,066	13,276,927	14,154,000	14,554,960	16,499,778
Resources	578,747	512,442	632,579	599,616	743,931	766,707
State and consumer services	370,669	312,526	421,453	618,035	711,237	793,572
Business and transportation	1,692,272	1,954,682	2,338,762	2,912,834	2,823,357	2,999,779
Correctional programs	714,817	733,099	845,666	1,211,818	1,264,060	1,855,042
Property tax relief	1,313,515	1,351,061	1,070,154	944,850	925,750	993,548
Capital outlay	457,871	571,868	155,894	294,605	698,967	636,147
Debt service	218,092	284,346	342,899	375,829	444,942	638,535
Total	<u>\$30,954,539</u>	<u>\$31,326,821</u>	<u>\$33,756,631</u>	<u>\$37,820,944</u>	<u>\$41,277,736</u>	<u>\$45,306,065</u>

\* Includes general, special revenue, and capital projects funds.

Source: The general purpose financial statements of the State of California.

STATE OF CALIFORNIA  
GENERAL REVENUES BY SOURCE\*  
AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1982 THROUGH 1987  
(IN THOUSANDS)

	1982	1983	1984	1985	1986	1987
Taxes	\$19,703,728	\$20,335,164	\$23,261,462	\$26,274,712	\$27,746,989	\$30,650,517
Intergovernmental	7,107,839	7,481,043	8,982,156	8,935,870	9,500,748	9,804,735
Licenses and permits	933,158	829,918	902,430	1,224,057	1,237,717	1,275,597
Natural resources	450,996	370,253	401,727	516,017	427,120	167,422
Charges for services	52,282	120,668	106,251	202,392	212,560	274,388
Fees	235,968	322,918	640,053	422,103	588,422	627,867
Penalties	113,488	73,887	66,879	79,568	138,866	406,643
Interest	401,789	461,753	386,174	626,937	679,011	653,928
Other	172,804	419,525	98,349	149,565	208,656	429,706
Total	<u>\$29,172,052</u>	<u>\$30,415,129</u>	<u>\$34,845,481</u>	<u>\$38,431,221</u>	<u>\$40,740,089</u>	<u>\$44,290,803</u>

\* Includes general, special revenue, and capital projects funds.

Source: The general purpose financial statements of the State of California.

STATE OF CALIFORNIA  
 RATIO OF GENERAL LONG-TERM  
 BONDED DEBT TO PER CAPITA INCOME  
FOR FISCAL YEARS ENDED JUNE 30, 1978 THROUGH 1987

<u>Year</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	\$ 9,411	.78%
1979	1,727,920	74.30	10,526	.71
1980	1,755,886	73.84	11,603	.64
1981	1,685,352	69.46	12,723	.55
1982	1,791,913	72.30	13,236	.55
1983	2,074,159	81.96	13,927	.59
1984	2,234,900	86.69	15,097	.57
1985	2,771,642	105.15	16,036	.66
1986	3,388,590	125.59	16,904	.74
1987	3,366,735	122.14	17,181	.71

Sources: 1978-87, State Controller's Annual Reports; 1982, U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance estimates (as revised).

STATE OF CALIFORNIA  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
 GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1982 THROUGH 1987  
 (IN THOUSANDS)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures*</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1982	\$ 86,967	\$131,125	\$218,092	\$30,954,539	0.7%
1983	152,754	131,592	284,346	31,326,821	0.9
1984	184,259	158,640	342,899	33,756,631	1.0
1985	203,258	172,571	375,829	37,820,944	1.0
1986	233,052	211,890	444,942	41,277,736	1.1
1987	271,855	366,680	638,535	45,306,065	1.4

\* Includes general, special revenue, and capital projects funds.

Source: The general purpose financial statements of the State of California.

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE POPULATION  
CALENDAR YEARS 1940 THROUGH 1986**

<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	1.5	10,643,000	5.3	7.0
1960	179,979,000	1.9	15,863,000	4.9	8.8
1970	203,984,000	1.3	20,039,000	2.6	9.8
1980	227,255,000	1.1	23,780,000	1.9	10.5
1981	229,637,000	1.0	24,265,000	2.0	10.6
1982	231,996,000	1.0	24,783,000	2.1	10.7
1983	234,284,000	1.0	25,308,000	2.1	10.8
1984	236,477,000	.9	25,780,000	1.9	10.9
1985	238,741,000	1.0	26,358,000	2.2	11.0
1986	241,078,000	1.0	26,981,000	2.4	11.2

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

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE PERSONAL INCOME  
CALENDAR YEARS 1970 THROUGH 1986**

<u>Year</u>	<u>United States</u>		<u>California</u>		<u>California as a Percent of United States</u>
	<u>Personal Income (In Millions)</u>	<u>Percent Change</u>	<u>Personal Income (In Millions)</u>	<u>Percent Change</u>	
1970	\$ 825,500		\$ 95,039		11.5
1971	888,500	7.6	100,865	6.1	11.4
1972	976,200	9.9	110,341	9.4	11.3
1973	1,095,300	12.2	121,784	10.4	11.1
1974	1,204,900	10.0	136,194	11.8	11.3
1975	1,308,500	8.6	149,700	9.9	11.4
1976	1,447,000	10.6	167,708	12.0	11.6
1977	1,602,900	10.8	187,134	11.6	11.7
1978	1,807,000	12.7	214,939	14.9	11.9
1979	2,028,500	12.3	244,778	13.9	12.1
1980	2,254,100	11.1	276,110	12.8	12.2
1981	2,514,200	11.5	308,730	11.8	12.3
1982	2,663,500	5.9	328,035	6.3	12.3
1983	2,834,400	6.4	352,459	7.4	12.4
1984	3,101,300	9.4	389,190	10.4	12.5
1985	3,320,100	7.1	422,676	8.6	12.7
1986	3,529,500	6.3	456,098	7.9	12.9

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

STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE  
PER CAPITA PERSONAL INCOME  
CALENDAR YEARS 1970 THROUGH 1986

Year	<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	\$ 4,051		\$ 4,746		117.2
1971	4,296	6.0	4,958	4.5	115.4
1972	4,665	8.6	5,360	8.1	114.9
1973	5,182	11.1	5,836	8.9	112.6
1974	5,648	9.0	6,433	10.2	113.9
1975	6,073	7.5	6,951	8.1	114.5
1976	6,651	9.5	7,646	10.0	115.0
1977	7,294	9.7	8,373	9.5	114.8
1978	8,136	11.5	9,411	12.4	115.7
1979	9,033	11.0	10,526	11.8	116.5
1980	9,919	9.8	11,603	10.2	117.0
1981	10,949	10.4	12,723	9.7	116.2
1982	11,481	4.9	13,236	4.0	115.3
1983	12,098	5.4	13,927	5.2	115.1
1984	13,114	8.4	15,097	8.4	115.1
1985	13,907	6.0	16,036	6.2	115.3
1986	14,641	5.3	16,904	5.4	115.5

Sources: U.S. Department of Commerce, Bureau of Economic Analysis (as revised).

STATE OF CALIFORNIA  
 CIVILIAN LABOR FORCE FOR  
 RESIDENT POPULATION AGE 16 AND OVER  
CALENDAR YEARS 1973 THROUGH 1986

<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	8,910	8,286	624	4.9%	7.0%
1974	9,317	8,638	679	5.6	7.3
1975	9,539	8,598	941	8.5	9.9
1976	9,896	8,990	906	7.7	9.2
1977	10,367	9,513	853	7.1	8.2
1978	10,911	10,137	775	6.1	7.1
1979	11,268	10,566	702	5.8	6.2
1980	11,584	10,794	790	7.1	6.8
1981	11,812	10,938	875	7.6	7.4
1982	12,178	10,967	1,210	9.7	9.9
1983	12,281	11,095	1,187	9.6	9.7
1984	12,610	11,631	980	7.5	7.8
1985	12,995	12,061	935	7.2	7.2
1986	13,365	12,473	892	7.0	6.7

Source: California Employment Development Department (as revised).



STATE OF CALIFORNIA  
 PERSONS EMPLOYED IN  
 PRINCIPAL MANUFACTURING INDUSTRIES  
CALENDAR YEARS 1982 AND 1986  
 (IN THOUSANDS)

Industry	1982	1986	Percent Change
Lumber and wood products	46.3	59.4	28.3
Textile mill products	12.4	14.9	20.2
Furniture and fixtures	49.0	58.2	18.8
Printing and publishing	124.5	143.7	15.4
Transportation equipment	266.3	304.8	14.5
Apparel	102.4	113.9	11.2
Electric and electronic equipment	358.0	397.6	11.1
Instruments and related products	102.4	111.6	9.0
Rubber and miscellaneous plastic products	61.2	66.7	9.0
Paper and allied products	37.3	40.0	7.2
Stone, clay, and glass products	50.4	53.0	5.2
Fabricated metal products	138.8	137.6	(0.9)
Chemicals and allied products	65.7	62.8	(4.4)
Machinery, except electrical	227.6	213.0	(6.4)
Food and kindred products	182.5	169.8	(7.0)
Petroleum and coal products	31.7	28.1	(11.4)
Primary metal products	47.6	40.6	(14.7)
Miscellaneous	43.2	35.0	(19.0)
Leather and leather products	<u>10.5</u>	<u>7.0</u>	(33.3)
Total	<u>1,957.8</u>	<u>2,057.7</u>	5.1

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

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