

# **State of California:**

**Financial Report  
Year Ended June 30, 1994**

**April 1995  
94001**

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April 27, 1995

94001

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Bureau of State Audits presents the financial report of the State of California for the year ended June 30, 1994. This financial report includes 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 State's General Fund generated approximately \$1.1 billion more in revenues than it spent for the fiscal year ended June 30, 1994. However, the General Fund ended the fiscal year with a fund deficit of \$1.1 billion. The GAAP basis statements include all liabilities owed by the State while the budgetary basis statements that are used to report on the State's budget do not reflect all liabilities.

We conducted this audit to comply with the California Government Code, Section 8546.4.

Respectfully submitted,



KURT R. SJOBERG  
State Auditor

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## ***Financial Section***

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**FINANCIAL SECTION**

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## *Independent Auditors' Report*

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THE GOVERNOR AND THE LEGISLATURE OF THE  
STATE OF CALIFORNIA

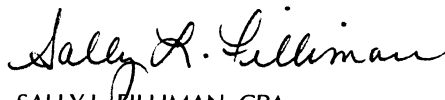
We have audited the general purpose financial statements of the State of California as of and for the year ended June 30, 1994, as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these statements based on our audit. We did not audit the financial statements of the pension trust funds, which reflect total assets constituting 77 percent of the fiduciary funds. We also did not audit the financial statements of certain enterprise funds, which reflect total assets and revenues, constituting 88 percent and 89 percent, respectively, of the enterprise funds. In addition, we did not audit the University of California funds. Finally, we did not audit the financial statements of certain component unit authorities, which reflect total assets and revenues, constituting 94 percent and 98 percent, respectively, of the component unit authorities. The financial statements of the pension trust funds, certain enterprise funds, the University of California funds, and certain component unit authorities referred to above were audited by other auditors who furnished their reports to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, certain enterprise funds, the University of California funds, and certain component unit authorities is based solely upon the reports of other independent auditors.

We conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements as listed in the table of contents present fairly, in all material respects, the financial position of the State of California as of June 30, 1994, and the results of its operations and the cash flows of its proprietary funds and component unit authorities for the year then ended, in conformity with generally accepted accounting principles.

We have not audited the data included in the statistical section in this report, and accordingly, we express no opinion on that data. Reports in accordance with government auditing standards on the State's internal control structure and on compliance are issued under separate cover in our single audit report.

BUREAU OF STATE AUDITS



SALLY L. FILLIMAN, CPA  
Deputy State Auditor

December 15, 1994

**GENERAL PURPOSE FINANCIAL STATEMENTS**



**STATE OF CALIFORNIA**  
**COMBINED BALANCE SHEET—ALL FUND TYPES, ACCOUNT GROUPS,**  
**AND DISCRETELY PRESENTED COMPONENT UNITS**

As of June 30, 1994  
(In Thousands)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Component Units	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service		Trust and Agency	General Fixed Assets	General Long-Term Obligations	University of California	Authorities
<b>ASSETS</b>											
Cash and pooled investments	\$ 151,574	\$ 1,983,244	\$ 302,720	\$ 3,913,470	\$ 24,928	\$ 17,107,848			\$ 3,258,052	\$ 813,271	
Investments				2,844,111		119,646,960			19,755,196	6,699,553	
Amount on deposit with U.S. Treasury						2,446,015					
Receivables (net)	192,166	382,822	211	71,841	3,305	8,205,073			1,445,036	263,793	
Due from other funds	6,087,700	3,760,984	129,976	244,998	277,892	8,727,555			124,942	6,923	
Due from primary government									219,646		
Due from other governments	75,167	5,554,217	10,037	44,605	5,994	503,948			104,021	1,342	
Prepaid expenses	270,604	278,250		16,914	7,904	21,367					
Inventory, at cost				14,026	48,832						
Net investment in direct financing leases				2,433,706					98,177		
Advances and loans receivable	1,930,652	996,863		2,907,278	26,070	2,305,424			14,383	502,439	
Deferred charges				1,011,041					74,086	3,398	
Fixed assets				5,558,803	235,180			\$13,667,175	11,806,776	196,005	
Other assets	1,089	2,265	29	97,399	9,687	65,036			318,616	63,692	
Amount to be provided for retirement of long-term obligations											\$19,297,411
<b>Total Assets</b>	<b>\$8,708,952</b>	<b>\$12,958,645</b>	<b>\$442,973</b>	<b>\$19,158,192</b>	<b>\$639,792</b>	<b>\$159,029,226</b>		<b>\$13,667,175</b>	<b>\$37,218,931</b>	<b>\$ 11,010,966</b>	
<b>LIABILITIES AND FUND EQUITY</b>											
<b>Liabilities</b>											
Accounts payable	\$ 660,810	\$ 763,884	\$ 324,940	\$ 184,445	\$ 55,251	\$ 4,506,235			\$ 1,286,368	\$ 153,391	
Due to other funds	4,669,395	5,272,713	31,031	315,394	124,369	8,352,281			124,942		
Due to component units	117,437								\$ 463,922		
Due to other governments	904,573	1,684,895	10,680	160,767	70	13,429,423			109,132		
Dividends payable											73,000
Advances from other funds	91,500	22,776	31,611	245,202	67,281	2,684,822			14,383	467	
Tax overpayments		2,158				503,969					
Benefits payable				73,273		716,015					
Deposits	14	15,120		6,091	1,500	2,546,080			311,320	5,135,184	
Contracts and notes payable	3,200,000			61,181	57,792						
Lottery prizes and annuities				2,069,791							

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Type			Account Groups			Component Units	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	University of California	Authorities				
Compensated absences payable	89,314			27,256	32,203			1,112,160	237,484	910				
Certificates of participation and other borrowings								55,678	707,727	120,537				
Net assets available for benefits									19,208,342					
Capital lease obligations	17,367	76,949			10,387			2,207,994	1,190,170					
Advance collections				352,443	820	109,086								
General obligation bonds payable				4,097,430										
Revenue bonds payable	44,393			7,357,926										
Interest payable	60,521	57,360	305	7,188	2,043	1,437,549		1,047,406	1,813,454	3,402,697				
Other liabilities									96,431	228,309				
<b>Total Liabilities</b>	<b>9,855,324</b>	<b>7,895,855</b>	<b>398,567</b>	<b>15,125,650</b>	<b>351,716</b>	<b>34,285,460</b>		<b>19,297,411</b>	<b>24,894,190</b>	<b>9,443,429</b>				
<b>Fund Equity</b>														
Contributed capital				212,519	109,464									
Investment in general fixed assets									\$13,667,175					
Retained earnings				165,219										
Reserved for regulatory requirements				3,654,804	178,612									
Unreserved														
<b>Total Retained Earnings</b>				<b>3,820,023</b>	<b>178,612</b>									
<b>Fund balances</b>														
Reserved for encumbrances	316,002	1,953,360	208,216											
Reserved for advances and loans	1,930,652	996,863				454,501								
Reserved for pension benefits						120,072,513								
Reserved for continuing appropriations	51,132	3,007,757	140,983											
Reserved for other specific purposes	261,190	24,195				4,216,752			1,869,346					
<b>Total Reserved</b>	<b>2,558,976</b>	<b>5,982,175</b>	<b>349,199</b>			<b>124,743,766</b>			<b>1,869,346</b>					
Unreserved														
Budgetary basis undesignated- available for appropriation (deficit)	(1,633,119)	(4,661,305)												
Budgetary to GAAP adjustments	(2,072,229)	3,741,920												
Undesignated (deficit)	(3,705,348)	(919,385)	(304,793)											
Total Fund Equity (Deficit)	(1,146,372)	5,062,790	44,406	4,032,542	288,076	124,743,766		13,667,175	12,324,741	1,567,537				
<b>Total Liabilities and Fund Equity</b>	<b>\$8,708,952</b>	<b>\$12,958,645</b>	<b>\$442,973</b>	<b>\$19,158,192</b>	<b>\$639,792</b>	<b>\$159,029,226</b>		<b>\$13,667,175</b>	<b>\$37,218,931</b>	<b>\$11,010,966</b>				

See the notes accompanying the financial statements.

STATE OF CALIFORNIA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 For the Fiscal Year Ended June 30, 1994  
 (In Thousands)

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
Revenues				
Taxes	\$38,425,914	\$ 3,784,057		\$5,609,205
Intergovernmental		25,259,035		
Licenses and permits	121,726	2,603,404		
Natural resources	30,613	61	\$ 14,304	
Insurance premiums				705,583
Charges for services	108,303	237,247		11,271
Fees	212,079	1,223,642		102,886
Penalties	193,349	193,158		23,488
Interest	210,854	107,634	485	250,082
Other	223,279	527,611	2,345	392,290
<b>Total Revenues</b>	<b>39,526,117</b>	<b>33,935,849</b>	<b>17,134</b>	<b>7,094,805</b>
Expenditures				
Current				
General government	1,280,063	1,876,104		811,943
Education	18,278,984	3,470,881	1,660	507,266
Health and welfare	12,968,217	20,388,508		6,904,646
Resources	457,365	1,181,442	17,634	24,136
State and consumer services	300,572	324,912		7,491
Business and transportation	52,160	5,842,241		11,013
Correctional programs	2,988,573	118,651		
Property tax relief	463,375	1,300		
Capital outlay		68,530	876,237	
Debt service				
Principal retirement	855,874	18,530		
Interest and fiscal charges	950,663	58,442	843	
<b>Total Expenditures</b>	<b>38,595,846</b>	<b>33,349,541</b>	<b>896,374</b>	<b>8,266,495</b>
Other Financing Sources (Uses)				
Proceeds from general obligation bonds		1,578,200	319,800	
Proceeds from refunding bonds		143,145		
Proceeds to refunded bond escrow agent		(143,145)		
Operating transfers in	437,195	919,592	259,922	2,018,247
Operating transfers out	(217,736)	(3,135,505)	(19,619)	(60,345)
<b>Net Other Financing Sources (Uses)</b>	<b>219,459</b>	<b>(637,713)</b>	<b>560,103</b>	<b>1,957,902</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,149,730	(51,405)	(319,137)	786,212
Fund Balances (Deficit), July 1, 1993, as restated	(2,296,102)	5,114,195	363,543	3,885,041
<b>Fund Balances (Deficit), June 30, 1994</b>	<b>\$(1,146,372)</b>	<b>\$ 5,062,790</b>	<b>\$ 44,406</b>	<b>\$4,671,253</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 1994**  
**(In Thousands)**

	Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues</b>			
Taxes		\$38,262,931	
Licenses and permits		121,727	
Natural resources		30,607	
Charges for services		170,303	
Fees		207,098	
Penalties		198,413	
Interest		211,021	
Other		220,361	
Total Revenues		39,422,461	
<b>Expenditures</b>			
Current			
General government	\$ 1,424,505	1,322,662	\$101,843
Education	18,305,685	18,148,746	156,939
Health and welfare	13,837,225	13,287,373	549,852
Resources	465,486	455,970	9,516
State and consumer services	312,400	301,373	11,027
Business and transportation	40,768	38,701	2,067
Correctional programs	3,063,590	3,049,362	14,228
Property tax relief	475,351	473,707	1,644
Debt Service			
Principal retirement	881,560	881,560	
Interest and fiscal charges	952,933	921,273	31,660
Total Expenditures	<b>\$39,759,503</b>	38,880,727	<b>\$878,776</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in		624,496	
Operating transfers out		(249,686)	
Net Other Financing Sources (Uses)		374,810	
<b>Excess of Revenues and Other Sources</b>			
Over (Under) Expenditures and Other Uses		916,544	
Fund Balance (Deficit), July 1, 1993, as restated		(1,921,339)	
<b>Fund Balance (Deficit), June 30, 1994</b>		<b>\$(1,004,795)</b>	

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 1994**  
**(In Thousands)**

	Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues</b>			
Taxes		\$ 597,253	
Intergovernmental		23,178,617	
Licenses and permits		2,603,404	
Natural resources		61	
Charges for services		237,247	
Fees		1,223,642	
Penalties		193,158	
Interest		107,634	
Other		537,391	
<b>Total Revenues</b>		<b>28,678,407</b>	
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,069,957	1,856,758	\$ 213,199
Education	3,569,877	3,500,628	69,249
Health and welfare	20,612,644	20,159,207	453,437
Resources	1,443,171	1,285,754	157,417
State and consumer services	348,196	324,263	23,933
Business and transportation	5,999,399	5,806,897	192,502
Correctional programs	126,748	123,989	2,759
Property tax relief	1,300	1,300	
Capital Outlay	68,530	68,530	
<b>Debt Service</b>			
Principal retirement	131,740	131,740	
Interest and fiscal charges	376	376	
<b>Total Expenditures</b>	<b>\$34,371,938</b>	<b>33,259,442</b>	<b>\$1,112,496</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from general obligation bonds		1,578,674	
Operating transfers in		14,152,746	
Operating transfers out		(11,295,417)	
<b>Net Other Financing Sources (Uses)</b>		<b>4,436,003</b>	
<b>Excess of Revenues and Other Sources</b>			
Over (Under) Expenditures and Other Uses		(145,032)	
Fund Balances, July 1, 1993, as restated		4,574,990	
<b>Fund Balances, June 30, 1994</b>		<b>\$ 4,429,958</b>	

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, PENSION TRUST FUNDS,  
AND COMPONENT UNIT AUTHORITIES  
For the Fiscal Year Ended June 30, 1994  
(In Thousands)**

	Proprietary Fund Types		Fiduciary Fund Type	Component Units
	Enterprise	Internal Service	Pension Trust	Authorities
Operating Revenues				
Lottery ticket sales	\$1,931,030			
Services and sales	936,352	\$712,653		\$ 40,048
Earned premiums (net)	25,699			1,735,257
Investment and interest	276,989		\$ 4,606,044	278,718
Contributions			5,633,637	
Rent	183,989			28,827
Other	7,539	55	23,527	27,680
<b>Total Operating Revenues</b>	<b>3,361,598</b>	<b>712,708</b>	<b>10,263,208</b>	<b>2,110,530</b>
Operating Expenses				
Lottery prizes	964,307			
Personal services	157,120	270,243	62,584	100,728
Supplies	51,666	12,825		2,655
Services and charges	640,127	376,377	61,256	131,799
Depreciation	86,900	45,525		5,332
Benefit payments	26,314		5,749,616	1,639,239
Interest expense	275,156	80		231,468
Refunds			195,861	
Amortization of deferred charges	(15,893)			4,741
<b>Total Operating Expenses</b>	<b>2,185,697</b>	<b>705,050</b>	<b>6,069,317</b>	<b>2,115,962</b>
<b>Operating Income (Loss)</b>	<b>1,175,901</b>	<b>7,658</b>	<b>4,193,891</b>	<b>(5,432)</b>
Nonoperating Revenues (Expenses)				
Grants received	770			
Grants provided	(15,315)			
Interest revenue	171,229	1,275		531,390
Interest expense and fiscal charges	(370,014)	(2,499)		(19,799)
Loss on early extinguishment of debt	(885)			(4,887)
Other	(9,474)	(2,923)		29
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(223,689)</b>	<b>(4,147)</b>		<b>506,733</b>
Operating transfers in	171,537	18,253		3,729
Operating transfers out	(282,862)	(6,246)		(3,929)
Residual equity transfer				3,456
<b>Operating Transfers</b>	<b>(111,325)</b>	<b>12,007</b>		<b>3,256</b>
Net Income	840,887	15,518	4,193,891	504,557
Dividends paid				(167,353)
Lottery payments for education	(672,698)			
Retained Earnings/Fund Balances, July 1, 1993, as restated	3,651,834	163,094	115,878,622	1,230,333
<b>Retained Earnings/Fund Balances, June 30, 1994</b>	<b>\$3,820,023</b>	<b>\$178,612</b>	<b>\$120,072,513</b>	<b>\$1,567,537</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND**  
**COMPONENT UNIT AUTHORITIES**  
**For the Fiscal Year Ended June 30, 1994**  
**(In Thousands)**

	Proprietary Fund Types		Component Units
	Enterprise	Internal Service	Authorities
<b>Cash Flows From Operating Activities</b>			
Operating income (loss)	\$1,175,901	\$ 7,658	\$ (5,432)
Adjustments to reconcile operating income (loss) with net cash provided by (used in) operating activities			
Interest expense on operating debt	275,156		231,468
Interest on investments	(83,564)		(67,075)
Depreciation	86,900	45,525	5,332
Deferred charges from water projects	(23,901)		
Accretion of capital appreciation bonds			12,990
Provisions and allowances	1,294		3,157
Accrual of deferred charges	(3,878)		(13,613)
Amortization of deferred credits	(2,010)		
Amortization of discounts	1,943		7,665
Other	2,230	7,222	
Change in assets and liabilities			
Receivables	(21,259)	(992)	48,748
Due from other funds	174,019	(31,233)	3
Due from primary government			(6,923)
Due from other governments	12,755	(3,463)	1
Prepaid expenses	(3,095)	(462)	2
Inventory	1,972	480	
Net investment in direct financing leases	(640,088)		(80,176)
Advances and loans receivable	388,204	5,874	
Other assets	(8,887)	521	(6,343)
Accounts payable	18,525	10,782	(14,598)
Due to other funds	77,543	(22,788)	(27)
Due to other governments	52,051	32	
Benefits payable	(8,583)		208,738
Deposits	(288)	447	
Lottery prizes and annuities	60,695		
Compensated absences payable	6,796	(4,969)	(28)
Advance collections	(43,303)	(364)	2,819
Other liabilities	1,554	(548)	42,399
<b>Total Adjustments</b>	<b>322,781</b>	<b>6,064</b>	<b>374,539</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,498,682</b>	<b>13,722</b>	<b>369,107</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Dividends paid			(142,353)
Advances from other funds	3,366	49,000	
Return of advances from other funds	(26)	(39,030)	
Proceeds from revenue bonds			880,824
Retirement of general obligation bonds	(248,950)		
Retirement of revenue bonds	(254,440)		(1,231,952)

	Proprietary Fund Types		Component Units
	Enterprise	Internal Service	Authorities
Interest paid on operating debt	(293,785)		(243,137)
Operating transfers in	53,060	18,253	3,729
Operating transfers out	(147,300)	(5,004)	(3,929)
Grants provided	(15,315)		
Grants received	770	100	
Other revenue (expenses)	(120)	7	
Lottery payments for education	(637,085)		
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(1,539,825)</b>	<b>23,326</b>	<b>(736,818)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Deletions from unamortized water project costs	1,772		
Acquisition of fixed assets	(398,906)	(24,071)	(34,716)
Proceeds from sale of fixed assets	97,896	1,390	
Advances from other funds	74,775		
Return of advances from other funds	(270,907)	(3,728)	
Proceeds from notes payable	60,120		
Principal paid on notes payable	(213)	(14,311)	
Retirement of certificates of participation and other borrowings			(4,532)
Payment of capital lease obligations	(5,624)	(455)	
Proceeds from general obligation bonds	2,000		
Retirement of general obligation bonds	(33,995)		
Proceeds from revenue bonds	1,944,438		61,439
Retirement of revenue bonds	(737,402)		(4,605)
Interest paid	(372,400)	(4,566)	(17,031)
Contributed capital	4	906	
Operating transfers in	118,477		
Operating transfers out	(135,564)		
Payment of deferred costs		(514)	
Unamortized refunding bond costs	(73,352)		
Other costs	(5,116)		
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>266,003</b>	<b>(45,349)</b>	<b>555</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	(281,870)		(406,174)
Advances and loans provided	(7,071)	(5,000)	(373,544)
Collection of advances and loans	722		681,063
Proceeds from maturity and sale of investments	363,132		65,144
Interest and gains on investments	99,643	895	598,465
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>174,556</b>	<b>(4,105)</b>	<b>564,954</b>
<b>Net Increase (Decrease) in Cash and Pooled Investments</b>	<b>399,416</b>	<b>(12,406)</b>	<b>197,798</b>
Cash and Pooled Investments at July 1, 1993	3,514,054	37,334	615,473
<b>Cash and Pooled Investments at June 30, 1994</b>	<b>\$3,913,470</b>	<b>\$ 24,928</b>	<b>\$ 813,271</b>

#### Noncash Transactions

Noncash transactions are those portions of investing and financing activities that affected assets and liabilities but did not result in cash receipts or payments during the period. The following noncash transactions occurred during the year. An enterprise fund transferred equipment totaling \$8.1 million to prepay a lease. In addition, internal service funds made installment purchases totaling \$21 million to acquire equipment.

See the notes accompanying the financial statements.



**STATE OF CALIFORNIA  
COMBINING BALANCE SHEET  
UNIVERSITY OF CALIFORNIA FUNDS  
As of June 30, 1994  
(In Thousands)**

	Current Funds	Loan Funds	Endowment & Similar Funds	Plant Funds	Retirement System Funds	Total Funds
<b>ASSETS</b>						
Cash and pooled investments	\$1,824,939	\$ 50,323	\$ 212,893	\$ 1,040,195	\$ 129,702	\$ 3,258,052
Investments			1,085,120		18,670,076	19,755,196
Receivables (net)	857,973	242,217	12,940		331,906	1,445,036
Due from other funds					124,942	124,942
Due from primary government	219,646					219,646
Due from other governments	104,021					104,021
Inventory, at cost	98,177					98,177
Advances and loans receivable	118		14,265			14,383
Deferred charges	74,086					74,086
Fixed assets				11,806,776		11,806,776
Other assets	308,694			9,922		318,616
<b>Total Assets</b>	<b>\$3,487,654</b>	<b>\$292,540</b>	<b>\$1,325,218</b>	<b>\$12,856,893</b>	<b>\$19,256,626</b>	<b>\$37,218,931</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Accounts payable	\$1,188,037		\$ 8,891	\$ 41,156	\$ 48,284	\$ 1,286,368
Due to other funds	124,942					124,942
Advances from other funds		\$ 2,000		12,383		14,383
Deposits	156,549		154,771			311,320
Compensated absences	237,484					237,484
Certificates of participation and other borrowings				707,727		707,727
Net assets available for benefits					19,208,342	19,208,342
Capital lease obligations				1,190,170		1,190,170
Revenue bonds payable		21,444		1,792,010		1,813,454
<b>Total Liabilities</b>	<b>1,707,012</b>	<b>23,444</b>	<b>163,662</b>	<b>3,743,446</b>	<b>19,256,626</b>	<b>24,894,190</b>
<b>Fund Equity</b>						
Investment in general fixed assets				8,477,238		8,477,238
Fund balances						
Reserved for other specific purposes	502,805	237,101	833,704	295,736		1,869,346
Undesignated	1,277,837	31,995	327,852	340,473		1,978,157
<b>Total Fund Equity</b>	<b>1,780,642</b>	<b>269,096</b>	<b>1,161,556</b>	<b>9,113,447</b>		<b>12,324,741</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$3,487,654</b>	<b>\$292,540</b>	<b>\$1,325,218</b>	<b>\$12,856,893</b>	<b>\$19,256,626</b>	<b>\$37,218,931</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
UNIVERSITY OF CALIFORNIA CURRENT FUNDS  
For the Fiscal Year Ended June 30, 1994  
(In Thousands)**

	Unrestricted	Restricted	Total
<b>Revenues and Other Additions</b>			
Tuition and fees	\$ 826,578		\$ 826,578
Federal appropriations, grants, and contracts	270,982	\$ 966,373	1,237,355
State appropriations, grants, and contracts	1,675,765	246,890	1,922,655
Private gifts, grants, and contracts	30,262	349,845	380,107
Sales and services			
Educational activities	625,963		625,963
Auxiliary enterprises	503,316		503,316
Teaching hospitals	1,744,410		1,744,410
Local government	1,065	76,285	77,350
Major Department of Energy laboratories		2,422,075	2,422,075
Other	328,812	91,634	420,446
<b>Total Revenues and Other Additions</b>	<b>6,007,153</b>	<b>4,153,102</b>	<b>10,160,255</b>
<b>Expenditures and Other Deductions</b>			
Instruction	1,525,338	103,195	1,628,533
Research	229,228	1,137,542	1,366,770
Public services	91,121	69,528	160,649
Academic support	590,606	85,167	675,773
Teaching hospitals	1,630,483	3,512	1,633,995
Student services	212,756	8,441	221,197
Institutional support	367,244	20,460	387,704
Operation and maintenance of plant	250,238	598	250,836
Student financial aid	112,429	229,145	341,574
Auxiliary enterprises	408,093	4,474	412,567
Major Department of Energy laboratories		2,393,325	2,393,325
Other	37,544	6,140	43,684
<b>Total Expenditures and Other Deductions</b>	<b>5,455,080</b>	<b>4,061,527</b>	<b>9,516,607</b>
<b>Other Financing Uses</b>			
Transfers out	(352,538)	(73,939)	(426,477)
<b>Net Increase in Fund Balance</b>	<b>199,535</b>	<b>17,636</b>	<b>217,171</b>
Fund Balances, July 1, 1993	1,078,302	485,169	1,563,471
<b>Fund Balances, June 30, 1994</b>	<b>\$1,277,837</b>	<b>\$ 502,805</b>	<b>\$ 1,780,642</b>

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, 1994  
(In Thousands)**

	<u>Current Funds</u>		Loan Funds	Endowment & Similar Funds	Plant Funds
	Unrestricted	Restricted			
<b>Revenues and Other Additions</b>					
Unrestricted current fund revenues					
General	\$3,430,615				
Auxiliary enterprises and hospitals	2,247,726				
Restricted gifts, grants, and contracts		\$4,061,468	\$ 538	\$ 35,026	\$ 46,534
Investment and interest income	106,804	85,983	8,392	687	46,245
Net gain on sale of investments	1,961	264		65,058	13,925
Governmental grants and contracts			3,903		762
Student fees for debt service					10,916
Governmental appropriations					96,369
Expended for plant facilities (including \$297,808 financed from current funds)					611,290
Retirement of indebtedness					104,160
Other	220,047	5,387	4,981	1,833	841
<b>Total Revenues and Other Additions</b>	<b>6,007,153</b>	<b>4,153,102</b>	<b>17,814</b>	<b>102,604</b>	<b>931,042</b>
<b>Expenditures and Other Deductions</b>					
Current fund expenditures	5,417,536	4,055,387			
Plant fund expenditures					341,368
Debt service					
Principal retirement					104,160
Interest					150,643
Loss on early extinguishment of debt					187,345
Disposals of plant assets					148,981
Other	37,544	6,140	7,439	6,637	1,402
<b>Total Expenditures and Other Deductions</b>	<b>5,455,080</b>	<b>4,061,527</b>	<b>7,439</b>	<b>6,637</b>	<b>933,899</b>
Transfers in (out)	(352,538)	(73,939)	4,197	2,527	419,753
<b>Net Increase in Fund Balances</b>	<b>199,535</b>	<b>17,636</b>	<b>14,572</b>	<b>98,494</b>	<b>416,896</b>
Fund Balances, July 1, 1993	1,078,302	485,169	254,524	1,063,062	8,696,551
<b>Fund Balances, June 30, 1994</b>	<b>\$1,277,837</b>	<b>\$ 502,805</b>	<b>\$269,096</b>	<b>\$1,161,556</b>	<b>\$9,113,447</b>

See the notes accompanying the financial statements.

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## *Notes to the Financial Statements*

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# Notes to the Financial Statements

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## **Note 1.**

### ***Definition of the Reporting Entity***

The general purpose financial statements present information on the financial activities of the State of California 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's public universities.

The decision to include a potential component unit in the State's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the State's reporting entity:

#### **California Public Employees' Retirement System**

The California Public Employees' Retirement System (CalPERS) administers retirement and health benefits to past and present public employees in California. The membership includes employees of the State of California, school employees who do not hold a teaching certificate, employees of California public agencies, judges, and legislators. The CalPERS is legally separate from the State. It is a component unit of the State because the State appoints a voting majority of the CalPERS' governing board, and expenditures for support of the CalPERS are appropriated by the annual Budget Act. The CalPERS is reported in the fiduciary fund types.

#### **State Teachers' Retirement System**

The State Teachers' Retirement System (STRS) provides pension benefits to teachers and certain other employees of the California public school system. The STRS is legally separate from the State. It is a component unit of the State because the State appoints a voting majority of the STRS' governing board, and expenditures for support of the STRS are appropriated by the annual Budget Act. In addition, the Legislature sets employer and employee contribution rates for the STRS. The STRS is reported in the fiduciary fund types.

#### **University of California**

The University of California was founded in 1868 as a public, state-supported land-grant institution. It was written into the State Constitution of 1879 as a public trust, to be administered by a governing board—the Regents of the University of California. The University of California is legally separate from the State. It is a component unit of the State because the State appoints a voting majority of the Regents of the University of

California, and expenditures for the support of various University of California programs and capital outlay are appropriated by the annual Budget Act. The University of California is discretely presented in the financial statements. Additional information about the University of California is provided in Note 27.

### **Authorities**

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The State Compensation Insurance Fund and other financing and building authorities (authorities) are legally separate from the State and are presented as component units of the State. The inclusion of the authorities in the State's general purpose financial statements reflects the State's financial accountability for these entities. Additional information about component unit authorities is provided in Note 28.

### **Note 2.**

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#### ***Summary of Significant Accounting Policies***

##### **Basis of Presentation**

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The accompanying financial statements present the financial position and the results of operations of the State for the year ended June 30, 1994. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants.

The University of California receives an annual appropriation from the State's General Fund. For the year ended June 30, 1994, approximately \$1.7 billion was accrued or disbursed from the General Fund to the University of California. This amount is reported as expenditures in the General Fund and as revenues in the University of California unrestricted current funds. Since this amount originally came from General Fund revenues and was ultimately spent in the University of California funds, revenues and expenditures in the amount of \$1.7 billion are reported twice in the accompanying financial statements.

##### **Fund Accounting**

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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 when the State intends that all or most of the cost involved is to be financed by user charges or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

*Internal Service Funds* account for goods or services provided to other 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. The State acts 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 when both principal and income (earnings on principal) 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, which acts 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 Fixed Assets Account Group***

This account group records those governmental fixed assets not reported in a proprietary fund or a trust fund.

### ***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.

## **Basis of Accounting**

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### ***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 are recorded by the State as taxpayers earn income (personal income and bank and corporation taxes), as sales are made (consumption and use taxes), and as the taxable event occurs (miscellaneous taxes), net of estimated tax overpayments. 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 leave of academic-year faculty of the California State University and the special schools of the California State Department of Education is accrued at June 30, as explained in Note 11.

Agency funds are custodial in nature and do not measure the results of operations. Assets and liabilities 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 they are incurred.

Lottery revenue and the related prize expense are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

For purposes of the statement of cash flows, the State considers all cash and pooled investments in the State's pooled investment program, as discussed in Note 4, to be cash equivalents.

## **Fixed Assets**

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### ***General Fixed Assets Account Group***

General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, public domain or "infrastructure" fixed assets are not capitalized. Accumulated depreciation is not recorded in the general fixed assets account group.

### ***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 9. They are depreciated over their estimated useful lives ranging from 3 to 100 years using the straight-line method of depreciation. Water projects, which represent 53.2 percent of the fixed assets of the enterprise funds, are depreciated over their service lives ranging from 30 to 100 years. Toll bridges and California State University dormitory facilities, which represent 16.9 percent and 11.2 percent, respectively, of the fixed assets of the enterprise funds, are not depreciated.

## **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 state 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 1993-94 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 when the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

Legislative appropriations are based on when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year goods and services are received. The budgets reported in the Statements of Revenues,

Expenditures, and Changes in Fund Balance—Budget and Actual (Budgetary Basis), have been adjusted to reflect the differences between the financial reporting methodology and legislative appropriations to correctly state the budget variance.

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall control of appropriations.

**Note 3.**

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***Budgetary Basis Financial Statements***

**Budgeted Revenues**

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

**General Fund Reconciliation of  
Budgetary Basis With GAAP Basis**

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The State annually reports its financial condition based on GAAP (GAAP basis) and also based on the State's budgetary provisions (budgetary basis). The State of California Annual Report (the budgetary 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. The accounting records of state agencies are maintained on the budgetary 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 budgetary basis financial report is prepared, adjustments are made to prepare the GAAP basis financial statements.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual (Budgetary Basis) is compiled on the budgetary basis. This Statement is reconciled with the general purpose financial statements prepared in accordance with GAAP as shown below. The primary differences between the budgetary basis accounting practices and GAAP are as follows:

***Advances and Loans Receivable***

Generally, loans made to other funds or to other governments are recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to this loan activity caused a net decrease to the deficit in the fund balance of \$173 million.

### ***Compensated Absences***

As discussed in Note 11, the liability totaling \$89 million for earned leave compensation of academic-year faculty of the California State University and of the special schools of the California Department of Education was not accrued on the budgetary basis because the funds to pay this liability were budgeted in the fiscal year 1994-95 appropriation. This adjustment caused an \$89 million increase to the deficit in the fund balance.

### ***Liabilities Exceeding Available Appropriations***

On a budgetary basis, the State does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused a net increase to the deficit in the fund balance of \$71 million.

### ***Restatement of Fund Balance***

The beginning fund balance of the General Fund on the budgetary basis is adjusted by \$70.8 million 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***

Other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The following transactions that were not recorded on the budgetary basis caused a net increase to the deficit in the fund balance on the GAAP basis of \$154.7 million: a \$91.5 million long-term loan from another fund, \$60 million of sales and use tax refunds owed at June 30, 1994, and miscellaneous other adjustments totaling \$3.2 million.

STATE OF CALIFORNIA  
GENERAL FUND  
RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS  
As of and for the Year Ended June 30, 1994  
(In Thousands)

	Adjustments to the Budgetary Basis						GAAP Basis
	Budgetary Basis	Advances and Loans Receivable	Compensated Absences	Liabilities Exceeding Available Appropriations	Restatement of Fund Balance	Other	
<b>ASSETS</b>							
Cash and pooled investments	\$ 151,574						\$ 151,574
Receivables (net)	192,166						192,166
Due from other funds	8,629,654	\$(1,758,291)				\$(783,663)	6,087,700
Due from other governments	54,207	1,127				19,833	75,167
Prepaid expenses	259,693					10,911	270,604
Advances and loans receivable	2,851	1,930,652				(2,851)	1,930,652
Other assets	1,089						1,089
<b>Total Assets</b>	<b>\$ 9,291,234</b>	<b>\$ 173,488</b>				<b>\$(755,770)</b>	<b>\$ 8,708,952</b>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities</b>							
Accounts payable	\$ 706,533					\$(45,723)	\$ 660,810
Due to other funds	5,368,913					(699,518)	4,669,395
Due to component units				\$ 64,791		52,646	117,437
Due to other governments	898,288			6,285			904,573
Advances from other funds						91,500	91,500
Deposits	14						14
Contracts and notes payable	3,200,000						3,200,000
Compensated absences payable			\$ 89,314				89,314
Advance collections	17,367						17,367
Interest payable	44,393						44,393
Other liabilities	60,521						60,521
<b>Total Liabilities</b>	<b>10,296,029</b>		<b>89,314</b>	<b>71,076</b>		<b>(601,095)</b>	<b>9,855,324</b>
<b>Fund Equity</b>							
<b>Fund balances</b>							
Reserved for encumbrances	316,002						316,002
Reserved for advances and loans		\$ 1,930,652					1,930,652
Reserved for continuing appropriations	51,132						51,132
Reserved for other specific purposes	261,190						261,190
<b>Total Reserved</b>	<b>628,324</b>	<b>1,930,652</b>					<b>2,558,976</b>
<b>Unreserved</b>							
Undesignated (deficit)	(1,633,119)	(1,757,164)	(89,314)	(71,076)		(154,675)	(3,705,348)
<b>Total Fund Equity (Deficit)</b>	<b>(1,004,795)</b>	<b>173,488</b>	<b>(89,314)</b>	<b>(71,076)</b>		<b>(154,675)</b>	<b>(1,146,372)</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 9,291,234</b>	<b>\$ 173,488</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$(755,770)</b>	<b>\$ 8,708,952</b>
<b>REVENUES</b>							
Taxes	\$38,262,931				\$176,060	\$(13,077)	\$38,425,914
Licenses and permits	121,727				(1)		121,726
Natural resources	30,607				6		30,613
Charges for services	170,303				(7,463)	(54,537)	108,303
Fees	207,098				31	4,950	212,079
Penalties	198,413				(5,064)		193,349
Interest	211,021	\$ 1,194			(1,361)		210,854
Other	220,361				(2,978)	5,896	223,279
<b>Total Revenues</b>	<b>39,422,461</b>	<b>1,194</b>			<b>159,230</b>	<b>(56,768)</b>	<b>39,526,117</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	1,322,662	(4,296)		\$(167,143)	57,216	71,624	1,280,063
Education	18,148,746	(18,824)	\$ 9,194	55,000	75,343	9,525	18,278,984
Health and welfare	13,287,373	(69,944)		(23,835)	(46,476)	(178,901)	12,968,217
Resources	455,970				1,395		457,365
State and consumer services	301,373				(801)		300,572
Business and transportation	38,701				13,459		52,160
Correctional programs	3,049,362			(42,700)	(13,650)	(4,439)	2,988,573
Property tax relief	473,707	(10,341)		(1,980)	1,989		463,375
<b>Debt service</b>							
Principal retirement	881,560					(25,686)	855,874
Interest and fiscal charges	921,273			1,918		27,472	950,663
<b>Total Expenditures</b>	<b>38,880,727</b>	<b>(103,405)</b>	<b>9,194</b>	<b>(178,740)</b>	<b>88,475</b>	<b>(100,405)</b>	<b>38,595,846</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	624,496	(111,025)				(76,276)	437,195
Operating transfers out	(249,686)	31,415				535	(217,736)
<b>Net Other Financing Sources (Uses)</b>	<b>374,810</b>	<b>(79,610)</b>				<b>(75,741)</b>	<b>219,459</b>
<b>Excess of Revenues and Other Sources Over (Under)</b>							
Expenditures and Other Uses	916,544	24,989	(9,194)	178,740	70,755	(32,104)	1,149,730
Fund Balance (Deficit), July 1, 1993, as restated	(1,921,339)	148,499	(80,120)	(249,816)	(70,755)	(122,571)	(2,296,102)
<b>Fund Balance (Deficit), June 30, 1994</b>	<b>\$(1,004,795)</b>	<b>\$ 173,488</b>	<b>\$(89,314)</b>	<b>\$( 71,076)</b>	<b>\$ 0</b>	<b>\$(154,675)</b>	<b>\$(1,146,372)</b>

## **Special Revenue Funds Reconciliation of Budgetary Basis With GAAP Basis**

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The primary differences between the budgetary basis accounting practices and GAAP for special revenue funds are as follows:

### ***Restatement of Fund Balance***

The beginning fund balance of the special revenue funds on the budgetary basis is adjusted to reflect prior year encumbrances that were previously recorded as expenditures. The beginning fund balance on the GAAP basis is not affected by these adjustments.

### ***Grant Commitments to Local Agencies***

Grants to local agencies are generally recorded as encumbrances on the budgetary basis when the commitments are made. However, in accordance with GAAP, these commitments are not reported as encumbrances. See Note 14.

### ***Encumbrances***

In addition to the difference in accounting for certain commitments as encumbrances as discussed above, the State does not record certain encumbrances on a budgetary basis that are recorded on a GAAP basis.

### ***Advances and Loans Receivable***

Loans made to other funds or to other governments are recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets.

### ***Other***

Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. These items include reducing assets relating to a general obligation bond defeasance, increasing liabilities for claims arising from lawsuits, and various miscellaneous items.

**Reconciliation of Budgetary Basis  
With GAAP Basis  
(In Thousands)**

Budgetary Basis Fund Balance	\$4,429,958
Grant commitments to local agencies	1,490,435
Encumbrances	(1,628,205)
Advances and loans receivable	996,863
Other	(226,261)
<b>GAAP Basis Total Fund Equity</b>	<b>\$5,062,790</b>

**Budgetary Basis Undesignated Fund Balance—  
Available for Appropriation**

The budgetary basis undesignated fund balance available for appropriation represents the amount of funding available to finance the State's budgetary plan for the next year. However, there was a deficit in this account as of June 30, 1994. Thus, there was no funding available from the current year to finance the fiscal year 1994-95 budgetary plan. The following schedule reconciles the budgetary basis fund balance with the budgetary basis undesignated—available for appropriation and the GAAP basis undesignated fund balance (in thousands):

<b>General Fund</b>	
Budgetary Basis Fund Balance (Deficit)	\$(1,004,795)
Reserved for encumbrances	(316,002)
Reserved for continuing appropriations	(51,132)
Reserved for other specific purposes	(261,190)
Unreserved	
Budgetary basis undesignated— available for appropriation (deficit)	(1,633,119)
GAAP Basis Adjustments:	
Advances and loans receivable	\$(1,757,164)
Compensated absences	(89,314)
Liabilities exceeding appropriations	(71,076)
Other	(154,675)
Subtotal	(2,072,229)
<b>GAAP Basis Undesignated (Deficit)</b>	<b>\$(3,705,348)</b>

<b>Special Revenue Funds</b>		
Budgetary Basis Fund Balance		\$ 4,429,958
Reserved for encumbrances		(3,581,565)
Reserved for continuing appropriations		(5,509,698)
<hr/>		
Unreserved		
Budgetary basis undesignated– available for appropriation (deficit)		(4,661,305)
GAAP Basis Adjustments:		
Reserved for encumbrances	\$1,628,205	
Reserved for continuing appropriations	2,501,941	
Reserved for other specific purposes	(24,195)	
Other	(364,031)	
Subtotal		3,741,920
<hr/>		
<b>GAAP Basis Undesignated (Deficit)</b>		<b>\$ (919,385)</b>
<hr/>		

**Note 4.**

***Cash and Pooled Investments, Investments,  
and Reverse Repurchase Agreements***

The State Treasurer's Office administers a pooled investment program. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs. The enterprise and trust and agency funds also make separate investments.

As of June 30, 1994, the average remaining life of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 15 months. These securities are reported at cost.

Further, 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.

**Deposits**

All demand and time deposits, totaling approximately \$791 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 deposited with the State Treasurer.



As of June 30, 1994, the State had amounts on deposit with fiscal agents totaling approximately \$27 million. These deposits, which were for principal and interest payments due to bond holders, are not collateralized.

## **Investments**

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

As of June 30, 1994, the State had investments in mutual funds and other investment pools totaling \$858 million. All remaining investments reported as of June 30, 1994, 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 except for \$437 million in the enterprise funds and \$452 million in the trust and agency funds. These investments included uninsured and unregistered investments held by the trust department or the agent of another party to the transaction of which \$66 million are in the State's name and \$823 million are not in the State's name. The types of investments reported at year end are representative of the types of investments made during the fiscal year. Furthermore, the credit risk associated with the investments reported at year end is representative of the credit risk associated with investments made during the fiscal year.

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.

The investments of certain pension trust funds are reported at fair value. See Note 20. All other investments are reported at cost. For these investments, no loss is recorded when market values decline below cost, as such declines are considered temporary. The following table presents the carrying value and market value of the investments that were reported by the State on June 30, 1994 (in thousands):

	<u>Pooled Investments</u>		<u>Separately Invested Funds</u>			
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Enterprise Funds</u>		<u>Trust and Agency Funds</u>	
			<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
U.S. government securities and U.S. government agency securities	\$12,117,159	\$12,002,601	\$2,432,051	\$2,557,228	\$ 27,406,050	\$ 27,503,828
Canadian government securities					564,016	481,723
Certificates of deposit	3,123,727	3,123,727			994,595	994,595
Bankers' acceptances	1,103,331	1,111,152				
Commercial paper	6,170,920	6,170,920			1,463,527	1,463,527
Corporate bonds	1,368,415	1,361,275	25,717	28,025	14,735,914	14,591,449
Mortgage loans and notes					5,756,716	5,842,815
Other debt securities					4,438,561	4,438,512
Repurchase agreements	532,060	532,060			100,000	100,000
Equity securities			2,610	2,434	54,883,131	60,630,362
Real estate					7,207,160	6,977,157
Investment agreements			371,638	371,638		
Mutual funds					772,879	772,879
Other investments			12,095	11,943	1,324,411	1,329,302
<b>Total Investments</b>	<b>\$24,415,612</b>	<b>\$24,301,735</b>	<b>\$2,844,111</b>	<b>\$2,971,268</b>	<b>\$119,646,960</b>	<b>\$ 125,126,149</b>

### **Reverse Repurchase Agreements**

The California 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 will 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. During fiscal year 1993-94, the State entered into 104 reverse repurchase agreements by temporarily selling investments with a carrying value of approximately \$9.2 billion. At June 30, 1994, the State did not have any reverse repurchase agreements.

**Note 5.****General Fund Due From Other Funds  
and Due to Other Funds and Component Units**

The balances of due from other funds, due to other funds, and due to component units are shown in the following tables:

<b>Due From Other Funds</b>	<b>Amount (in Millions)</b>
Special Deposit Fund	\$1,971.1
Retail Sales Tax Fund	1,281.1
Personal Income Tax Fund	633.3
Estate Tax Fund	450.2
Health Care Deposit Fund	352.7
Welfare Advance Fund	241.3
Federal Trust Fund	240.1
Insurance Tax Fund	223.8
All Others	694.1
<b>Total</b>	<b>\$6,087.7</b>

<b>Due To Other Funds</b>	<b>Amount (in Millions)</b>
Interfund Borrowings for Cash Management:	
Pooled Money Investment Account	\$2,066.1
Motor Vehicle License Fee Fund	220.0
State Highway Account	160.0
Federal Trust Fund	150.0
Motor Vehicle Account	102.0
Others	620.4
Subtotal	\$3,318.5
Health Care Deposit Fund	971.0
State School Fund	134.9
Public Employees' Retirement Fund	118.2
All Others	126.8
<b>Total</b>	<b>\$4,669.4</b>

Due To Component Units	Amount (In Millions)
University of California	\$110.5
State Compensation Insurance Fund	6.9
<b>Total</b>	<b>\$117.4</b>

**Note 6.**

***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, 1994 (in thousands):

Purpose	Cash and Pooled Investments	Investments	Due From Other Funds	Other Assets
Debt service	\$ 625,159	\$135,037	\$12,956	
Construction	518,374		5,649	\$576
Deposits	6,091			
Equipment repair and replacement	62,981		17,773	12
Operations	4,063			
<b>Total Restricted Assets</b>	<b>\$1,216,668</b>	<b>\$135,037</b>	<b>\$36,378</b>	<b>\$588</b>

**Note 7.**

***Net Investment in Direct Financing Leases***

The State Public Works Board has entered into lease-purchase agreements with various state agencies, the University of California, and community colleges. See Note 14. The payments from these leases 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 the correctional and higher educational institutions and energy efficiency projects for various state agencies. Upon expiration of these leases, jurisdiction of the facilities and projects will be with the respective institution, agency, or community college.

The minimum lease payments to be received are summarized below (in thousands):

Year Ending June 30	State Agencies	University of California	Community Colleges	Total
1995	\$ 193,597	\$ 60,355	\$ 16,389	\$ 270,341
1996	195,316	63,228	17,141	275,685
1997	195,355	64,608	16,904	276,867
1998	194,769	64,606	16,805	276,180
1999	182,263	64,604	16,810	263,677
Thereafter	2,199,996	1,033,931	264,177	3,498,104
Total minimum lease payments	3,161,296	1,351,332	348,226	4,860,854
Less unearned income	1,532,392	713,162	181,594	2,427,148
<b>Net Investment in Direct Financing Leases</b>	<b>\$1,628,904</b>	<b>\$ 638,170</b>	<b>\$166,632</b>	<b>\$2,433,706</b>

The Public Works Board has entered into various capital lease agreements with the University of California. The Public Works Board issues revenue bonds to finance the construction of these leased facilities. The Public Works Board, which is audited by other auditors, records the net investment in direct financing leases at the net present value of the minimum lease payments. At June 30, 1994, these bonds and the related net investment in direct financing leases, totaling approximately \$1.1 billion and \$638 million, respectively, are presented in the enterprise fund type. The University of California, which is also audited by other auditors, reported capital lease obligations of \$1.1 billion. This amount represents the total liability for the revenue bonds issued by the Public Works Board to finance the construction of facilities for the University of California.

**Note 8.**

***Deferred Charges***

The deferred charges account in the enterprise fund type primarily represents operating and maintenance costs and unrecovered capital costs that will be recognized as expenses over the remaining life of long-term state water supply contracts because these costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as deferred charges. These charges are recognized when billed in future years under the terms of the state water supply contracts.

**Note 9.**

**Fixed Assets**

The following is a summary of changes in the general fixed asset account group for the year ended June 30, 1994 (in thousands):

	<b>Balance July 1, 1993</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 1994</b>
Land	\$ 1,623,656	\$ 189,092	\$ 13,043	\$ 1,799,705
Structures and improvements	6,965,932	1,251,795	29,694	8,188,033
Equipment	2,541,041	311,126	122,506	2,729,661
Construction in progress	1,394,250	315,255	759,729	949,776
<b>Total General Fixed Assets</b>	<b>\$12,524,879</b>	<b>\$2,067,268</b>	<b>\$924,972</b>	<b>\$13,667,175</b>

The following schedule summarizes the fixed assets of the enterprise funds and internal service funds as of June 30, 1994 (in thousands):

	<b>Enterprise</b>	<b>Internal Service</b>
State water projects	\$3,390,798	
Toll facilities	896,814	
Other land, improvements, buildings, and equipment	776,770	\$ 518,779
Construction in progress	1,555,144	
Total Fixed Assets	6,619,526	518,779
Less accumulated depreciation	(1,060,723)	(283,599)
<b>Net Fixed Assets</b>	<b>\$5,558,803</b>	<b>\$ 235,180</b>

**Note 10.**

**Long-Term Obligations**

As of June 30, 1994, the State had obligations of a long-term nature totaling \$19.3 billion that are not expected to be financed from current resources in the governmental funds. These obligations consist of unmatured general obligation bonds, long-term capital lease

obligations and certificates of participation, the liability for employees' compensated absences and worker's compensation claims, amounts owed for settled lawsuits, and the State's share of the unfunded University of California pension liability.

Debt service requirements for certificates of participation, which are financed by lease payments from the General Fund, are as follows (amounts in thousands):

Year Ending June 30	Principal	Interest	Total
1995	\$ 1,730	\$ 2,456	\$ 4,186
1996	2,040	2,336	4,376
1997	2,160	2,200	4,360
1998	2,300	2,055	4,355
1999	2,440	1,900	4,340
Thereafter	26,200	7,861	34,061
<b>Total Certificates of Participation</b>	<b>\$36,870</b>	<b>\$18,808</b>	<b>\$55,678</b>

**Note 11.**

***Compensated Absences Payable***

As of June 30, 1994, the State's estimated liability for compensated absences related to accumulated vacation leave totaled to approximately \$1.3 billion. Of this amount, \$1.1 billion is reported in the General Long-Term Obligations Account Group, \$59 million is reported in the proprietary fund types, and \$89 million for earned leave 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 State's General Fund. Accumulated sick-leave balances do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

**Note 12.**

***General Obligation Bonds***

The state constitution permits the State to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds majority 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.

## **Changes in Bond Indebtedness**

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The following schedule summarizes the changes in general obligation bond debt for the year ended June 30, 1994 (in thousands):

	<b>Balance July 1, 1993</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 1994</b>
General long-term obligations	\$13,262,192	\$2,043,652	\$1,004,725	\$14,301,119
Enterprise funds	4,378,375	2,000	282,945	4,097,430
<b>Total General Obligation Bonds</b>	<b>\$17,640,567</b>	<b>\$2,045,652</b>	<b>\$1,287,670</b>	<b>\$18,398,549</b>

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.

### ***Bonds Outstanding and Bonds Authorized but Unissued***

The following schedule shows general obligation bonds outstanding and bonds authorized but unissued as of June 30, 1994 (in thousands):



	Outstanding	Authorized but Unissued
<b>General Long-Term Obligations</b>		
School Facilities	\$ 4,642,344	\$ 963,139
New Prison Construction	1,819,645	152,000
Higher Education Facilities	1,465,220	666,200
State School Building Lease-Purchase	1,195,825	
Clean Air and Transportation Improvement	671,920	1,290,300
Passenger Rail and Clean Air	656,380	306,900
California Wildlife, Coastal, and Park Land Conservation	541,765	180,000
County Correctional Facility Capital Expenditure	433,865	2,000
Housing and Homeless	351,795	
County Jail Capital Expenditure	346,675	
Clean Water	339,105	4,000
County Correctional Facility Capital Expenditure and Youth Facility	320,465	147,000
California Park and Recreational Facilities	267,445	25,000
California Safe Drinking Water	236,075	95,000
Clean Water and Water Conservation	157,550	10,000
California Earthquake Safety and Housing Rehabilitation	130,010	
California Parklands	125,995	2,000
Community Parklands	86,445	
Water Conservation and Water Quality	84,945	57,000
State, Urban, and Coastal Park	84,215	4,000
Lake Tahoe Acquisitions	61,090	5,000
Fish and Wildlife Habitat Enhancement	58,155	7,000
State Beach, Park, Recreational and Historical Facilities	49,675	
Clean Water and Water Reclamation	34,985	27,715
California Library Construction and Renovation	33,265	39,000
Senior Center	30,000	
Earthquake Safety and Public Buildings Rehabilitation	26,700	272,000
Health Science Facilities Construction Program	20,180	
Water Conservation	16,690	43,000
Community College Construction Program	8,000	
Harbor Development	2,945	
Recreation and Fish and Wildlife Enhancement	1,750	
<b>Total General Long-Term Obligations</b>	<b>14,301,119</b>	<b>4,298,254</b>
<b>Enterprise Funds</b>		
Veterans	2,802,260	639,900
California Water Resources Development	1,166,660	169,000
Hazardous Substance Cleanup	69,550	
State School Building Aid	57,000	40,000
First-Time Home Buyers	1,960	185,000
<b>Total Enterprise Funds</b>	<b>4,097,430</b>	<b>1,033,900</b>
<b>Total General Obligation Bonds</b>	<b>\$18,398,549</b>	<b>\$5,332,154</b>

## **Debt Service Requirements**

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The following schedule shows the debt service requirements for all general obligation bonds, including interest of \$11.3 billion, as of June 30, 1994 (in thousands):

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<b>Year Ending June 30</b>	<b>General Long-Term Obligations</b>	<b>Enterprise Funds</b>
1995	\$ 1,854,073	\$ 495,955
1996	1,779,708	477,353
1997	1,710,266	456,982
1998	1,575,446	429,024
1999	1,501,310	413,163
Thereafter	14,361,626	4,606,185
<b>Total</b>	<b>\$22,782,429</b>	<b>\$6,878,662</b>

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## **Early Extinguishment of Debt**

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### ***Fiscal Year 1993-94 Defeasance***

During the year ended June 30, 1994, the State Treasurer's Office issued approximately \$144.7 million of Various Purpose General Obligation Refunding bonds and used the proceeds to satisfy a debt of \$130.3 million in Various Purpose General Obligation bonds. The State Treasurer's Office invested the net proceeds of \$143.1 million in United States government securities and placed the securities in irrevocable escrow in a special trust account within the State Treasury. The investment and interest will be sufficient to redeem the bonds as they become due. As of June 30, 1994, all of the bonds to be redeemed remained outstanding. Since the escrow arrangements effectively release the State from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

As a result of the advance refunding, the State in effect reduced its aggregate debt service payments by \$10.3 million over the next 25 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5.8 million.

### ***Note 13.***

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#### ***Revenue Bonds***

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 the next section of this note. 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, and the State Public Works Board issue revenue bonds to acquire, construct, or renovate state facilities, or to refund outstanding revenue bonds in advance. The Department of Veterans Affairs and the California National Guard issue revenue bonds allowing the State to make loans to finance the acquisition of farms and homes by California veterans and National Guard members. When the farm and home loans financed by the revenue bonds are fully paid, the farms and homes become the property of private individuals.

### **Changes in Bond Indebtedness**

The following schedule summarizes the changes in revenue bond debt of the enterprise funds for the year ended June 30, 1994 (in thousands):

	<b>Balance July 1, 1993</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 1994</b>
Revenue Bonds	\$6,534,467	\$1,946,438	\$1,122,979	\$7,357,926

### **Revenue Bonds Outstanding**

The following schedule shows revenue bonds outstanding as of June 30, 1994 (in thousands):

	<b>Outstanding</b>
State Public Works Board	\$4,502,997
Department of Water Resources	1,881,497
Department of Veterans Affairs	600,890
California State University	296,918
California Transportation Commission	68,765
California National Guard	6,859
<b>Total Revenue Bonds</b>	<b>\$7,357,926</b>

### **Debt Service Requirements**

The following schedule shows the debt service requirements for revenue bonds of the enterprise funds, including interest of \$6.2 billion, as of June 30, 1994 (in thousands):

Year Ending June 30	Enterprise Funds
1995	\$ 648,894
1996	678,950
1997	680,444
1998	666,611
1999	666,511
Thereafter	10,501,125
<b>Total</b>	<b>\$13,842,535</b>

### **Early Extinguishments of Debt**

#### ***Fiscal Year 1993-94 Defeasances***

During the year ended June 30, 1994, three state agencies conducted advance refunding activities that resulted in the defeasance of debt.

The *State Public Works Board* (board) issued approximately \$371.7 million of Lease Revenue Refunding Bonds, 1993 Series A, to satisfy a debt of \$320.6 million of Lease Revenue Bonds, 1987 Series A, 1988 Series A, 1990 Series A, and 1992 Series A. The board invested the proceeds 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 redeem the bonds as they become due. As of June 30, 1994, all of the bonds to be redeemed remained outstanding. Since the escrow arrangements effectively release the board from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

As a result of the advance refunding, the board in effect reduced its aggregate debt service payments by \$26.3 million over the next 29 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$16.0 million.

The *State Public Works Board* issued approximately \$214.4 million of Lease Revenue Refunding Bonds, 1993 Series C, to satisfy a debt of \$190.7 million of Lease Revenue Bonds, 1987 Series A. The board invested the proceeds 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 redeem the bonds as they become due. As of June 30, 1994, all of the bonds to be redeemed remained outstanding. Since the escrow arrangements effectively release the board from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

As a result of the advance refunding, the board in effect reduced its aggregate debt service payments by \$8.8 million over the next 16 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$8.3 million.

The *California Transportation Commission* (commission) issued approximately \$34.9 million of San Francisco Bay Toll Bridge Revenue Refunding Bonds (Southern Bridge Unit) 1994 Series A and used the proceeds along with \$2.7 million of other available funds to satisfy a debt of \$34.5 million of San Francisco Bay Toll Bridge Revenue Refunding Bonds, 1987 Series A. The commission invested the proceeds and other available funds 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 redeem the bonds as they become due. As of June 30, 1994, all of the bonds to be redeemed remained outstanding. Since the escrow arrangements effectively release the commission from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

As a result of the advance refunding, the commission in effect reduced its aggregate debt service payments by \$6.8 million over the next 8 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$6.0 million.

The *California Transportation Commission* issued \$33.9 million of San Francisco Bay Toll Bridge Revenue Refunding Bonds (Northern Bridge Unit) 1994 Series A, to satisfy a debt of \$33.3 million of Antioch and Carquinez Strait Bridges 1976 Revenue Bonds. The commission invested the proceeds along with \$787,000 of other available funds, in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest were sufficient to redeem the bonds when they became due on June 1, 1994.

As a result of the advance refunding, the commission in effect reduced its aggregate debt service payments by \$5.3 million over the next 11 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$4.7 million.

The *California State University* (university) issued approximately \$16.5 million of Trustees of the California State University Housing Systems 1994 Revenue Refunding Bonds to satisfy a debt of \$16.8 million of Trustees of the California State University Housing System Revenue Bonds, Series AE and AG. The university invested the net proceeds 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 redeem the bonds as they become due. As of June 30, 1994, all of the bonds to be redeemed remained outstanding. Since the escrow arrangements effectively release the university from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

As a result of the advance refunding, the university in effect reduced its aggregate debt service payments by \$3.7 million over the next 24 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$824,000.

The *California State University* issued approximately \$1.4 million of California State University Hayward Student Union Refunding Revenue Bonds, Series A to satisfy a debt of \$1.4 million of California State University Hayward Student Union Revenue Bonds, Series A. The university invested the proceeds 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 redeem the bonds as they become due. As of June 30, 1994, the bonds were fully redeemed.

As a result of the advance refunding, the university in effect reduced its aggregate debt service payments by \$598,000 over the next 19 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$378,000.

### ***Prior Year Defeasances***

In prior years, the *Department of Water Resources*, the *Public Works Board*, and the *California State University* defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the State Treasurer's Office to provide for all future debt service payments on the old bonds. Accordingly, the assets and the liabilities for the defeased bonds are not included in the State's financial statements. On June 30, 1994, \$1.5 billion of bonds outstanding are considered defeased.

## ***Note 14.***

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### ***Commitments***

#### ***Leases***

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The aggregate amount of lease commitments for facilities and equipment in effect as of June 30, 1994, is approximately \$5.7 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 minimum lease commitments are summarized below (in thousands):

<b>Year Ending June 30</b>	<b>Operating Leases</b>	<b>Capital Leases</b>	<b>Total</b>
1995	\$ 261,099	\$ 257,634	\$ 518,733
1996	231,277	267,752	499,029
1997	205,593	254,618	460,211
1998	179,589	254,512	434,101
1999	149,519	243,159	392,678
Thereafter	420,913	3,008,553	3,429,466
<b>Total Minimum Lease Payments</b>	<b>\$1,447,990</b>	<b>4,286,228</b>	<b>\$5,734,218</b>
Less amount representing interest		2,067,847	
<b>Present Value of Net Minimum Lease Payments</b>		<b>\$2,218,381</b>	

Lease expenditures for the year ended June 30, 1994, amounted to approximately \$493 million.

Included in the capital lease commitments are lease-purchase agreements that certain state agencies have entered into with the State Public Works Board amounting to a present value of net minimum lease payments of \$1.6 billion, which represents 73 percent of the total present value of minimum lease payments. See Note 7.

Also included in the capital lease commitments are 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 and private corporations that then lease the facilities to the State. Upon expiration of these leases, title to the facilities and equipment will pass to the State.

The following schedule presents a summary of the capital lease commitments as of June 30, 1994 (in thousands):

	<b>Present Value of Minimum Lease Payments</b>	<b>Interest</b>	<b>Total Minimum Lease Payments</b>
<b>Leases with the State Public Works Board for:</b>			
<b>California State Prison</b>			
Corcoran	\$ 240,074	\$ 152,924	\$ 392,998
Del Norte	239,652	164,923	404,575
Madera	125,374	110,745	236,119
Amador	119,814	66,724	186,538
Imperial—North	200,914	289,057	489,971
Imperial—South	207,513	295,711	503,224
Kern	51,765	26,164	77,929
<b>California State University</b>			
Bakersfield	16,534	18,061	34,595
Chico	15,362	19,042	34,404
Fresno	30,368	33,071	63,439
Fullerton	39,443	42,528	81,971
Hayward	2,156	2,476	4,632
Humboldt	7,528	8,431	15,959
Long Beach	46,532	46,521	93,053
Northridge	42,240	44,836	87,076
Pomona	35,180	38,158	73,338
Sacramento	24,809	26,994	51,803
San Bernardino	22,412	24,308	46,720
San Francisco	18,876	20,690	39,566
San Jose	26,352	19,244	45,596
San Luis Obispo	10,066	8,939	19,005
San Marcos	17,625	19,379	37,004
<b>Various state energy efficiency projects</b>			
Phase I	34,413	10,166	44,579
Phase II	28,986	12,520	41,506
Franchise Tax Board	24,916	30,780	55,696
<b>Subtotal</b>	<b>1,628,904</b>	<b>1,532,392</b>	<b>3,161,296</b>
<b>Lease With the Public Employees' Retirement System:</b>			
Board of Equalization Building	88,769	193,549	282,318
<b>Leases With Component Units:</b>			
<b>Building Authorities</b>			
Los Angeles State Building Authority	161,518	130,116	291,634
East Bay State Building Authority	121,575	113,840	235,415



	<b>Present Value of Minimum Lease Payments</b>	<b>Interest</b>	<b>Total Minimum Lease Payments</b>
California State University Headquarters Building Authority	4,601	4,763	9,364
San Francisco State Building Authority	62,705	35,652	98,357
<b>Subtotal</b>	<b>350,399</b>	<b>284,371</b>	<b>634,770</b>
Leases with nonstate entities for:			
Department of General Services			
Telecommunications Division	6,199	7,113	13,312
Office of Buildings and Grounds	7,020	4,935	11,955
Health and Welfare Data Center	3,916	2,564	6,480
Department of Motor Vehicles			
Escondido	1,702	841	2,543
Napa	5,276	2,217	7,493
Placentia	2,524	667	3,191
Temecula	3,852	1,537	5,389
Turlock	4,811	2,003	6,814
21st Street, Sacramento	6,878	1,891	8,769
Santa Ana Civic Center	3,151	1,553	4,704
Department of Justice			
Eureka	962	142	1,104
Watsonville	2,046	563	2,609
California Highway Patrol			
Buttonwillow	2,001	713	2,714
Hanford	4,729	1,767	6,496
Indio	11,122	4,177	15,299
Jackson	3,158	1,113	4,271
Modesto	8,438	3,266	11,704
Rancho Cucamonga	14,980	7,776	22,756
San Andreas	247	45	292
Santa Maria	7,328	3,268	10,596
Susanville	1,356	717	2,073
Winterhaven	4,775	2,019	6,794
L.A. State Parking Facility	767	188	955
Department of Transportation	256	34	290
Prison Industry	254	17	271
Equipment	42,561	6,409	48,970
<b>Subtotal</b>	<b>150,309</b>	<b>57,535</b>	<b>207,844</b>
<b>Total Capital Leases</b>	<b>\$2,218,381</b>	<b>\$2,067,847</b>	<b>\$4,286,228</b>

## **Highway Construction**

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The State has made commitments of \$2.3 billion for certain highway construction projects. These commitments are not included in the reserve for encumbrances in the special revenue funds because the future expenditures related to these commitments are expected to be reimbursed from local governments and proceeds of approved federal grants. The ultimate liability will not accrue to the State.

## **Other**

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As of June 30, 1994, the State had other commitments totaling \$2.7 billion. These commitments included loan and grant programs for housing, school building aid, and rail system and county jail construction totaling approximately \$1.6 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 total commitments also include approximately \$17 million for the rehabilitation of toll bridge facilities, approximately \$940 million for the construction of water projects and the purchase of water and power, and up to \$206 million for the operation and maintenance of the lottery's automated gaming system.

## **Note 15.**

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### ***Fund Balance Reserved for Other Specific Purposes***

#### **General Fund**

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The reserve of \$261 million represents the unencumbered balances of appropriations restricted for future educational purposes in accordance with Article XVI, Section 8, of the State Constitution.

#### **Special Revenue Funds**

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The reserve of \$24 million is reserved for transfer to the State's General Fund.

#### **Trust and Agency Funds**

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The reserve represents assets of the Unemployment Fund and other expendable trust funds that are not available for future appropriations other than those for which the funds were established.

## **Note 16.**

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### ***Fund Deficits***

The capital projects funds and the enterprise funds had positive fund equities as of June 30, 1994. However, 2 of the 11 capital projects funds that receive bond proceeds had deficits at June 30, 1994. These deficits result from the way the State has financed certain projects. The State, before issuing bonds, temporarily borrows from its own pooled investments

to pay project costs. These loans are recorded as a liability of the fund rather than being recorded in the General Long-Term Obligations Account Group. Because both the liability and the cash proceeds from the loan are reported in the fund, any expenditure recorded in the fund creates a temporary deficit. The deficit will be eliminated when the State later issues the bonds and uses the proceeds to repay the loan.

At June 30, 1994, the deficits in the two capital projects funds totaled \$223 million. Each of these funds had bonds authorized but unissued that exceeded their deficits. In total, these funds had \$595 million in authorized but unissued bonds.

Also, one enterprise fund, the Hazardous Substance Cleanup Fund, had a deficit in retained earnings of \$59 million on June 30, 1994. This deficit occurred because the State has not recovered hazardous waste cleanup costs from responsible parties.

**Note 17.**

***Major Tax Revenues***

Tax revenues for the year ended June 30, 1994, are as follows (in thousands):

	General Fund	Special Revenue Funds	Expendable Trust Funds
Personal income	\$17,521,831		
Sales and use	13,853,809	\$3,186,804	
Bank and corporation	4,741,710		
Unemployment insurance			\$2,850,526
Disability insurance			2,639,469
Insurance	1,195,923		
Inheritance, estate, and gift	637,621		
Cigarette and tobacco	179,962	484,165	
Other	295,058	113,088	119,210
<b>Total</b>	<b>\$38,425,914</b>	<b>\$3,784,057</b>	<b>\$5,609,205</b>

**Note 18.**

***Restatement of General Fund Beginning Fund Balance***

Starting with the year ended June 30, 1994, the State reflects general obligation bond debt service interest expenditures on a cash basis. Previously, the State accrued these expenditures as they were incurred. This change in accounting policy is consistent with generally accepted accounting principles, which state that interest that accrues during the accounting period will

not use current expendable financial resources and, therefore, should be recorded as an expenditure in the year of payment. The effect of this change is to increase the beginning fund balance by \$248 million.

**Note 19.**

***Restatement of Pension Trust  
Beginning Fund Balance***

Effective for fiscal year 1993-94, the California Public Employees' Retirement System (CalPERS) adopted a method of accounting for investments that is in accordance with the requirements of the Governmental Accounting Standards Board, Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. The provisions of this statement require restatement of prior year fund balances for the effect of changing from reporting investments at cost to reporting investments at fair market value. The effect of the change in accounting principle on the increase in net assets held in trust for pension benefits for the Public Employees' Retirement Fund (PERF) and Legislators' Retirement Fund (LRF) for fiscal year 1992-93 as previously reported is as follows (in thousands):

	PERF	LRF	Total (Memorandum Only)
June 30, 1993 net assets held in trust for pension benefits, as previously reported	\$64,965,749	\$72,841	\$65,038,590
Net appreciation in fair value of investments	4,439,495	4,944	4,444,439
Adjustment from adoption of GASB No. 25	7,662,548	12,851	7,675,399
<b>June 30, 1993 net assets held in trust for pension benefits, as restated</b>	<b>\$77,067,792</b>	<b>\$90,636</b>	<b>\$77,158,428</b>

The change in accounting principle had no effect on the Judges' Retirement Fund.

**Note 20.**

***Pension Trusts***

The State has two retirement systems: the California Public Employees' Retirement System (CalPERS) and the State Teachers' Retirement System (STRS). CalPERS administers three defined benefit contributory retirement plans: the Public Employees' Retirement Fund (PERF), the Judges Retirement Fund (JRF), the Legislators' Retirement Fund (LRF), and one defined benefit award plan, the Volunteer Firefighters' Length of Service Award Fund. STRS administers

one defined benefit contributory retirement plan. The other pension funds are included in the fiduciary fund type. Additional information for each retirement system can be found in each system's separately issued financial report.

## **California Public Employees' Retirement System**

### ***Public Employees' Retirement Fund***

#### **Plan Description**

The CalPERS administers the Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement plan. Employers participating in the PERF include the State of California, 61 school districts, and 1,234 public agencies. The CalPERS issues a publicly available report that includes financial statements and required supplementary information for the PERF. The financial report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

#### **Summary of Significant Accounting Policies**

Basis of Accounting—The PERF uses the accrual basis of accounting. Contributions are recorded at the employer's actuarially determined contribution rate as calculated by the CalPERS actuaries. Investment income is recognized when earned, and expenditures are recorded when incurred.

Investments—PERF investments are presented at fair value. Statutes authorize CalPERS to invest in stocks, bonds, mortgages, real estate, and other investments. CalPERS maintains certain deposits, cash equivalents, and other investments with financial institutions.

The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, has been estimated based on independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost, which approximates market value. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments.

## ***Judges' Retirement Fund***

### **Plan Description**

The CalPERS administers the Judges' Retirement Fund (JRF), an agent multiple-employer retirement plan. There are 59 employers participating in the JRF. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the JRF. The financial reports may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

### **Summary of Significant Accounting Policies**

Basis of Accounting—The JRF uses the accrual basis of accounting. Contributions are recorded when due. Investment income is recognized when earned, benefits and administrative expenses are recorded when incurred.

Investments—JRF investments are presented at fair value. Statutes authorize the JRF to invest in stocks, bonds, mortgages, real estate, and other investments.

## ***Legislators' Retirement Fund***

### **Plan Description**

The CalPERS administers the Legislators' Retirement Fund (LRF), a single-employer retirement plan. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the LRF. The financial report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

### **Summary of Significant Accounting Policies**

Basis of Accounting—The LRF uses the accrual basis of accounting. Contributions are recorded when due. Investment income is recognized when earned, benefits and administrative expenses are recorded when incurred.

Investments—LRF investments are presented at fair value. Statutes authorize CalPERS to invest in stocks, bonds, mortgages, real estate, and other investments. CalPERS maintains certain deposits, cash equivalents, and other investments with financial institutions.

The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. Short-term investments are reported at cost, which approximates fair value.

### **Funding Progress**

The following schedule shows the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 1993, 1992, and 1991 (amounts in millions):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) ÷ (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
6/30/91	\$75.6	\$94.7	\$19.1	79.8%	\$1.9	1005.3%
6/30/92	78.6	97.8	19.2	80.4	6.2	309.7
6/30/93	83.3	97.4	14.1	85.5	5.0	282.0

### ***Volunteer Firefighters' Length of Service Award Fund***

#### **Plan Description**

The CalPERS administers the Volunteer Firefighters' Length of Service Award Fund (VFF), an agent multiple-employer public employee defined benefit award plan. It currently has 24 participating fire departments. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the VFF. The financial report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

#### **Summary of Significant Accounting Policies**

Basis of Accounting—The VFF uses the accrual basis of accounting. Contributions are recorded at the employer's actuarially determined contribution rate as calculated by the CalPERS actuaries. Investment income is recognized when earned, and expenditures are recorded when incurred.

Investments—VFF investments are presented at fair value. Statutes authorize the VFF to invest in stocks, bonds, mortgages, real estate, and other investments. The VFF maintains certain deposits, cash equivalents, and other investments with financial institutions. Fair values of investments are based on published market prices and quotations from major investment brokers, as available. Mortgage loans are stated at fair value. Fair value is determined based on future principal and interest payments and are discounted at prevailing interest rates for similar investments. Short-term and pooled investments are stated at cost, which approximates fair value.

## **State Teachers' Retirement System**

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### ***Plan Description***

The State Teachers' Retirement System (STRS) is a cost-sharing multiple-employer retirement system that provides pension benefits to teachers and certain other employees of the California public school system. At June 30, 1994, the STRS had approximately 1,150 contributing employers (school districts). Additionally, the State is a nonemployer contributor to the STRS.

Membership in the pension plan is mandatory for all employees who hold a teaching certificate and who are eligible for membership. At June 30, 1994, the STRS had approximately 195,100 retirees and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them. Also, the STRS had approximately 319,200 vested and nonvested active members.

Members become fully vested in retirement benefits after five years of credited service. In general, the STRS provides defined retirement benefits based on the members' final compensation, age, and length of service. In addition, benefits are provided for disability and for survivors upon the death of eligible members. Final compensation is defined as the average salary earnable for either the highest three consecutive years of credited service or the highest one year of compensation if an employer elects to pay for the additional cost. At age 60, the benefit formula provides benefits equaling 2 percent of final compensation multiplied by the years of service. Early retirement options are also available.

Members are eligible for disability benefits before age 60 after five years of credited service. The disability benefits range up to 90 percent of final compensation. Also available are family benefits if the deceased member had at least one year of credited service.

The members' accumulated contributions and accrued interest are refundable to employees upon separation.

The following is a summary of the sources of contributions:

- Members                   – 8 percent of applicable member earnings
- Employers                 – 8.25 percent of applicable member earnings



- State of California – Beginning July 1, 1991, annual contributions are 4.3 percent of the prior calendar year covered payroll.
- Under certain provisions of the California Education Code, employers are required to make contributions of .415 percent of payroll to the State. These contributions are appropriated by the State. Actual appropriations for fiscal year 1993-94 were \$57.6 million, or .470 percent of payroll.

### ***Investment Matters***

The STRS invests in debt securities including obligations issued by the United States government, United States corporations with a credit rating of BBB or above, foreign corporate issues with a credit rating of A or above, government securities issued by countries contained in the Salomon Brothers World Government Bond Index, and notes collateralized by first mortgages and deeds of trust for real estate located in the United States. The STRS also invests in equities, including common and preferred stock of corporations domiciled in the United States, mutual funds, units of participation in commingled index funds, international securities, and other investments.

The majority of the securities held in the investment portfolio at June 30, 1994, is in the custody of or controlled by the State Street Bank and Trust Company, the STRS' master custodian.

All investments are recorded at cost, average cost, or amortized cost with no recognition of temporary fluctuations in fair market value. All securities are subject to adjustments for market declines judged to be other than temporary. Upon sale of securities, the difference between sales proceeds and cost is reflected in net realized gain or loss on investments.

### ***Funding Status***

The amount shown below as pension benefit obligation is a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The amount is the actuarial present value of credited projected benefits and is intended to help users assess the STRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. This measure is independent of the actuarial methods used to calculate the contribution requirements described below.

The pension benefit obligation below was derived from the last completed actuarial valuation as of June 30, 1993. Significant actuarial assumptions used in the valuation include the following: (a) consumer price index increases of 5 percent annually; (b) projected salary increases of 6.5 percent annually; (c) a rate of return on the investment of present and future assets of 8.5 percent; (d) an expected annual growth in membership of 0.75 percent; and (e) administrative expenses of 0.25 percent of payroll.

At June 30, 1993, the estimated unfunded pension benefit obligation was as follows (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits	\$20,930,000
Current members	30,920,000
Inactive members	792,000
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Total pension benefit obligation	52,642,000
Net assets available for benefits (at amortized cost)	38,697,000
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Unfunded pension benefit obligation	\$13,945,000
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### ***Contribution Requirements***

Required contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Actual member and employer rates are set by statute. The system also uses the level percentage of payroll method to calculate the amortization of the unfunded liability.

In their actuarial valuation as of June 30, 1993, the STRS' independent actuaries determined that the current statutory contributions are equivalent to 20.43 percent of covered payroll over the amortization period, which is estimated to be 26 years from July 1, 1993. The current level of contributions is sufficient to fund normal cost and amortize the actuarial unfunded obligation. Once amortization is complete, the state contribution will drop to the level necessary to fund normal cost of the current benefit program.

### ***Trend Information***

The following schedule shows the net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1993, 1992, and 1991 (amounts in thousands). Additional trend information is available in the separately issued STRS' financial report for the year ended June 30, 1994:

	June 30		
	1993	1992	1991
Net assets available for benefits	\$38,697,000	\$35,141,000	\$32,046,000
Pension benefit obligation	52,642,000	50,569,000	46,324,000
Percentage funded	74%	69%	69%
Unfunded pension benefit obligation	\$13,945,000	\$15,428,000	\$14,278,000
Annual covered payroll	11,994,000	12,015,000	11,816,000
Unfunded pension benefit obligation as a percentage of covered payroll	116%	128%	121%

**Note 21.**

***Postretirement Health Care Benefits***

In addition to providing pension benefits, the State provides health care and dental benefits to annuitants of retirement systems to which the State contributes as an employer. To be eligible for these benefits, first tier plan annuitants must retire from the State on or after attaining age 50 with at least 5 years of service, and second tier plan annuitants must retire from the State on or after attaining age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from State employment to be eligible to receive these benefits. As of June 30, 1994, approximately 85,000 annuitants were enrolled to receive health benefits and approximately 82,000 annuitants were enrolled to receive dental benefits. In accordance with the Government Code, the State generally pays 100 percent of the health insurance cost for annuitants plus 90 percent of the additional premium required for the enrollment of family members of annuitants. Although the State generally pays 100 percent of the dental insurance premium for annuitants, the Government Code does not specify the State's contribution toward dental insurance costs. The State recognizes the cost of providing health and dental insurance to annuitants on a pay-as-you-go basis. The cost of these benefits in fiscal year 1993-94 was approximately \$297 million. The \$4 million increase in expenditures over the previous year was largely caused by increases in health insurance premiums.

**Note 22.**

***Deferred Compensation Plan***

The State administers two deferred compensation plans in accordance with Section 457 of the Internal Revenue Code: the 457 Plan and the Part-Time, Seasonal, and Temporary (PST) Plan. The 457 plan is an optional plan for eligible employees. The PST plan is a mandatory plan for employees who are not members of the State's retirement system and who are not covered by social security. Employees under each plan defer receiving portions of their salaries, thereby deferring taxation on these portions, until they leave state service or face a serious financial emergency. The State makes no contribution to either plan. Participants of the 457 plan direct the State to invest the deferred amounts among various investment options. The State invests

PST plan participants' deferred amounts into only one of the investment options of the State's choosing. Participants of the 457 plan pay the costs of administering their plan, but the State pays the administration costs of the PST plan. However, the money in both plans is available for payment to the State's general creditors when permitted by the Legislature.

As of June 30, 1994, the total market value of assets in the deferred compensation plans was approximately \$2 billion. The corresponding liability of \$2 billion is included in deposits. The assets and the liability are reported in an agency fund.

**Note 23.**

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***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.

**Note 24.**

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***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  
For the Fiscal Year Ended June 30, 1994  
(In Thousands)**

	Housing Loan	Water	School Building Aid	Toll Facilities	State University	Leasing of Public Assets	Lottery	Other Enterprises
Operating revenue	\$ 294,789	\$ 489,487	\$ 46,358	\$ 137,513	\$ 215,953	\$ 149,676	\$ 1,931,030	\$ 96,792
Operating income (loss)	(35,209)	206,753	40,778	93,346	59,948	143,487	662,961	3,837
Net Income (Loss)	(18,784)	49,739	(45,050)	80,701	30,516	54,802	672,698	16,265
Property, plant, and equipment								
Additions	81	180,889		48,888	29,541	123,933	12,932	2,642
Deductions	(895)	(75,072)	(3,720)			(96,022)	(31,449)	(3,357)
Total assets	4,076,118	4,731,998	386,757	1,485,179	973,363	4,751,990	2,281,989	470,798
Bonds and other long-term liabilities	(3,619,502)	(3,206,974)	(57,000)	(74,925)	(299,637)	(4,502,997)	(1,791,995)	(73,977)
Total equity	(362,898)	(1,024,507)	(308,941)	(1,400,820)	(587,907)	(36,796)		(310,673)

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, 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.

*School Building Aid*—Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities; and income from the rental of portable classrooms to school districts.

*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.

**Note 25.**

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**Contingencies**

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**Litigation**

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The State is a party to numerous legal proceedings, many of which normally occur 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, 1994, legal proceedings that were in progress at June 30, 1994, and that were settled or decided against the State as of December 15, 1994, and legal proceedings having a high probability of resulting in a decision against the State as of December 15, 1994, 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.

Following are the more significant lawsuits pending against the State:

The State is a defendant in six lawsuits contesting the constitutionality of the water's-edge election fee. The election allows those corporations that would otherwise be subject to worldwide combined reporting to report on a water's edge basis, limiting the base used in assessing California income tax to a multinational corporation's United States operations. A fee was charged for this election. The lead case is *Xerox Corporation, et al. v. Franchise Tax Board* which is set for trial in July 1995. The likelihood of loss has been substantially decreased as the result of the United States Supreme Court's decision in the following worldwide combined reporting cases. Specifically, the State prevailed in both *Barclays Bank PLC v. Franchise Tax Board* and *Colgate Palmolive v. Franchise Tax Board* cases. Currently, the Franchise Tax Board estimates the potential loss at \$275 million.

The State is a defendant in 12 lawsuits and numerous administrative proceedings involving the exclusion of small business stock gains from certain taxes. The lead case is *Mervin Morris v. Franchise Tax Board*. The majority of the remaining cases have been deferred pending the outcome of the Morris case. The California Supreme Court has accepted petitions for review in this case. In the event of an adverse outcome, the effect on the State will be dependent upon the rationale for the decision and the subsequent application by the State Board of Equalization and the courts. However, the State could be required to refund an estimated \$250 million and may not be able to collect previous assessments of an estimated \$250 million.

The State is a defendant in a *Lincoln National Life Insurance Co. v. State Board of Equalization* tax case relating to the State's method of determining the tax on gross insurance premiums. The potential loss to the State could amount to \$173 million, including related administrative refunds. In a related case, the California State Supreme Court ruled in the State's favor.

The State is involved in two lawsuits seeking reimbursement for alleged state-mandated costs. In *Thomas Hayes v. Commission on State Mandates*, 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, if all potentially eligible school districts pursue timely claims, has been estimated by the Department of Finance at over \$1 billion.

In another case, the State is a defendant in *Long Beach Unified School District v. State of California*. In this case, the school district seeks reimbursement for voluntary desegregation costs incurred in the implementation of California Department of Education guidelines. The years of reimbursement are from fiscal year 1977-78 and each fiscal year thereafter to fiscal year 1990-91. The district prevailed in a superior court, and the case has been decided by a State appellate court against the State. A petition for review was denied and the superior court judgment has become final, but the court retains jurisdiction to oversee payment. The State anticipates that the unfavorable outcome will affect pending claims by other school districts, and the total loss could be in excess of \$300 million.

The State is involved in two lawsuits related to contamination at the Stringfellow toxic waste site. In one suit, the State is one of approximately 130 defendants in *Penny Newman v. J. B. Stringfellow, et al.* in which 3,800 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. A conservative estimate of the State's potential liability is \$250 million to \$550 million for property damages and up to \$720 million for personal injuries. In a separate lawsuit, *United States, People of the State of California v. J. B. Stringfellow, Jr., et al.*, the State is seeking recovery for past costs of cleanup of the site, a declaration that the defendants are jointly and severally liable for future costs, and an injunction ordering completion of the cleanup. However, the defendants have filed a counterclaim against the State for alleged negligent acts. Because the State is the present owner of the site, the State may be found liable. Present estimates of the cleanup range from \$200 million to \$800 million.

The State is a defendant in a coordinated action involving 3,000 plaintiffs seeking recovery for damages caused by the Yuba River flood of February 1986. The trial court has found liability in inverse condemnation and awarded damages of \$500,000 to 12 sample plaintiffs. The State's potential liability to the remaining 3,000 plaintiffs from claims filed ranges from \$800 million to \$1.5 billion. An appeal has been filed.

The State is a defendant in *California Teachers Association v. Russell S. Gould, et al.*, where the petitioners are challenging a recharacterization of \$1.083 billion of appropriations for fiscal year 1991-92 and \$190 million in the 1992-93 fiscal year as emergency loans rather than Proposition 98 funds. The petitioners are seeking a declaration that all appropriated funds are Proposition 98 funds and, therefore, must be included in the minimum funding guarantee for schools. A Sacramento Superior Court ruled that the appropriations are not Proposition 98 funds and should not be included in the minimum funding calculation in future years. These funds should be considered excess appropriations in the respective fiscal year budgets and the State cannot receive credit and offset these excess appropriations against the following years' guarantee.

The petitioners also challenged the recharacterization of \$973 million in the 1992-93 fiscal year and \$787 million in the 1993-94 fiscal year appropriations to schools in excess of the Proposition 98 guarantee of minimum funding as "loans" which are subject to repayment by schools. The trial court found that recharacterizing prior year appropriations in excess of the Proposition 98 guarantee was appropriate, but that the State could not require schools to repay those excess appropriations. The trial court also found that amounts which the State appropriated to schools as loans, in excess of the Proposition 98 guarantee, were considered to be Proposition 98 funding and were required to be used to calculate the Proposition 98 requirement in future years. The case is currently pending before the Court of Appeal.

The State is a defendant in *Parr, et al. v. State of California* where a number of state employees filed a complaint in federal court claiming that payment of wages in registered warrants violated the Fair Labor Standards Act (FLSA) on the premise that registered warrants were neither cash nor cash equivalents. In December 1992, the federal court ruled that the issuance of registered warrants is a violation of the FLSA. The current phase of this trial is focusing on the issue of damages and is attempting to determine whether there was a good faith belief that the issuance of the registered warrants was not a violation of the FLSA. If the State loses, the maximum amount of damages will be approximately \$500 million.

The State is involved in a case concerning the default by Triad Healthcare on a \$167 million loan guaranteed by the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development (Cal-Mortgage). Monies for the loan were raised through the sale of Certificates of Participation and Cal-Mortgage insured the debt service payments. Since July 1993, Triad has failed to make its monthly debt service payments; therefore, the reserve account of the bonds has been used to make the payments. However, these funds were only expected to last until February 1995. After that time, Cal-Mortgage anticipates that additional debt service payments will be made from the Health Facility Construction Loan Insurance Fund as they become due. However, if there is any shortfall in this fund, the State's General Fund will be used to make up the difference.

The State is a defendant in two lawsuits challenging the transfer of monies from special fund accounts within the State Treasury to the State's General Fund pursuant to the Budget Acts of 1991, 1992, and 1993. Plaintiffs in the case of *Malibu Video Systems, et al. v. Kathleen Brown, et al.* allege in the state court action that the monetary transfers violated various state statutes and provisions of the state constitution. In the companion federal case, plaintiffs allege that the



monetary transfers violated the Equal Protection Clause of the United States Constitution. The plaintiffs seek to have the transfers reversed and the monies, allegedly totaling approximately \$800 million, returned to the special funds. These cases are an attempt to expand prior litigation in which certain transfers made pursuant to the 1992 Budget Act were found to be unlawful (e.g., *California Medical Association v. Hayes*). Actual damages, if any, awarded as a result of these lawsuits could vary significantly and will require a fund-by-fund analysis of the legality of the transfers.

### **Federal Audit Exceptions**

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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.

A federal audit report asserts that the State owes the federal government \$122 million. This amount represents the federal share of pension reserves used to offset the State's General Fund retirement contributions in fiscal years 1991-92 and 1992-93. The State contends there was no reduction of state costs nor is there a reduction of federal costs.

### **Insurance Program**

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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. 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 \$773 million as of June 30, 1994. This liability is included in the accompanying financial statements. Of the total, \$24 million is included in the proprietary fund types and \$749 million in the General Long-Term Obligations Account Group.

### **Note 26.**

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#### ***Subsequent Events***

As part of its cash management program and deficit retirement plan, the State regularly issues short-term obligations to meet cash flow needs. On July 26, 1994, the State issued \$4.0 billion of revenue anticipation warrants that will mature on April 25, 1996, and redeemed \$2.0 billion that had been issued on February 23, 1994. Additionally, on August 3, 1994, the State issued \$3.0 billion of revenue anticipation notes that will mature on June 28, 1995.

From July 1, 1994, to December 15, 1994, the State issued approximately \$1.1 billion in general obligation bonds and approximately \$470 million in revenue bonds.

On December 6, 1994, Orange County, California (county), together with its pooled investment funds (funds) filed for protection under Chapter 9 of the federal Bankruptcy Code, after reports that the funds had suffered significant market losses. The State has no existing obligation with respect to any outstanding obligations or securities of the county or any of the other participating entities. However, if the county is unable to maintain county-administered state programs because of insufficient resources, it may be necessary for the State to intervene. In addition, at this time, it appears that school districts may have collectively lost up to \$230 million from the amounts they had on deposit in the funds. Under existing legal precedent, the State is obligated to intervene when a school district's fiscal problems would otherwise deny its students basic educational quality. The State is not presently able to predict whether any school districts will face insolvency because of their participation in the funds and the potential amount or form of aid which the State may have to provide.

**Note 27.**

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***Component Unit—University of California***

**Definition of the Financial Reporting Entity**

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The University of California (UC) was founded in 1868 as a public, State-supported institution. The California State Constitution grants the UC full powers of government, subject only to legislative control necessary to ensure the security of its funds and compliance with certain administrative requirements. The majority of the 28-member independent governing board—the Regents of the University of California—are appointed by the governor and approved by the state Senate. In addition, various UC programs and capital outlay projects are funded through appropriations from the State's annual Budget Act. The UC is discretely presented in the State's general purpose financial statements. Copies of the UC's separately issued financial statements may be obtained at the University of California, Corporate Accounting Office, 21st Floor, 300 Lakeside Drive, Oakland, California 94612-3550.

**Summary of Significant Accounting Policies**

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***Basis of Presentation***

The financial statements of the UC have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers and the Governmental Accounting Standards Board.

The UC has entered into various capital lease agreements with the State Public Works Board (PWB). The PWB issues revenue bonds to finance the construction of these leased facilities. The PWB, which is audited by other auditors, records the net investment in direct financing leases at the net present value of the minimum lease payments. At June 30, 1994, these bonds and the related net investment in direct financing leases, totaling approximately \$1.1 billion and \$638 million, respectively, are presented in the enterprise fund type. The UC, which is also

audited by other auditors, reported capital lease obligations of \$1.1 billion. This amount represents the total liability for revenue bonds issued by the PWB to finance the construction of facilities for the UC.

The UC receives an annual appropriation from the State's General Fund. For the year ended June 30, 1994, approximately \$1.7 billion was accrued or disbursed from the General Fund to the UC. This amount is reported as expenditures in the General Fund and as revenues in the UC unrestricted current funds. Since this amount originally came from General Fund revenues and was ultimately spent in the UC funds, revenues and expenditures in the amount of \$1.7 billion are reported twice in the accompanying financial statements. See Note 2.

### ***Cash and Pooled Investments and Investments***

Investments of all funds are stated at cost at the date of acquisition or, in the case of gifts, at quoted market value at the date of donation, with the exception of University of California Retirement System investments which are stated at market value. Real estate is stated at depreciated value.

Investments include equities, high-yield equities, bonds, and real estate. The equity portion of the investment portfolio includes common stocks, several venture capital partnerships, and emerging market funds. The UC actively participates in a securities lending program as a means to augment income. At June 30, 1994, securities with a value of approximately \$2.6 billion were on loan to brokerage firms.

Included in temporary investments is the UC's Short-Term Investment Pool. Participating funds earn income based on their average investment in the pool. This pool invests primarily in U.S. Treasury securities, and prime grade commercial paper and short-term corporate notes; at June 30, 1994, these investments had a book value of \$2.58 billion and a market value of \$2.57 billion. The pool also invests in loans to faculty members. The loans have terms up to 30 years; principal outstanding at June 30, 1994, was \$136 million.

Investments other than temporary investments include equities, bonds, high-yield equities, and real estate. Approximately 99 percent of the investments are either insured, registered, held by the regents, held by the regents' custodian bank as an agent for the regents, or held by major insurance companies in the name of the regents. The following schedule presents the investments as of June 30, 1994 (in thousands):

	Endowment and Similar Funds		University of California Retirement System Funds	
	Carrying Value	Market Value	Cost	Market Value
Equities	\$ 577,238	\$1,138,534	\$ 6,095,724	\$11,614,543
Bonds	362,242	345,048	3,898,068	3,952,212
High-yield securities	133,538	206,650	1,086,545	1,561,894
Mortgage loans and notes	3,082	2,838	905	819
Miscellaneous investments	3,860	3,860	1,540,608	1,540,608
Real estate	5,160			
<b>Total</b>	<b>\$1,085,120</b>	<b>\$1,696,930</b>	<b>\$12,621,850</b>	<b>\$18,670,076</b>

Cash deposits held in bank accounts at June 30, 1994, totaled in excess of \$20 million. Of this amount, \$500,000 was insured by the FDIC.

Cash and temporary investments of \$478 million included in the plant funds are held by trustees and pledged for future payments of principal, interest, construction, and renewal and replacement in accordance with various indenture requirements and other long-term debt agreements.

#### ***Revenue Bonds and Other Long-Term Debt***

Revenue bonds and certificates of participation are secured by the revenues of the individual projects as well as certain other UC revenues.

During the year, the UC issued \$307.5 million in Multiple Purpose Projects Revenue Bonds for the acquisition, construction, and renovation of various UC facilities. These campus facilities include student housing, intramural athletics and conference facilities, student activity centers and bookstores, and research and administrative buildings.

Aggregate maturities of long-term debt for each of the five fiscal years subsequent to June 30, 1994, are as follows (in thousands):

1995	\$124,131
1996	116,553
1997	195,212
1998	111,913
1999	121,534

The UC issued several refunding instruments to advance refund and defease various revenue bonds and certificates of participation. In addition, various state capital leases were refinanced on behalf of the UC. The proceeds of these financings, totaling \$1.65 billion, together with \$26.8 million of UC funds, were deposited in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded debt. As a result, the defeased liabilities of \$1.49 billion have been removed from the indebtedness of the plant funds, resulting in a debt extinguishment charge of \$187.3 million. These refundings resulted in total gross savings to the UC of \$203.1 million, representing an economic gain of \$101.7 million.

The above liabilities do not include \$1.8 billion of various defeased liabilities. Investments which have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the accompanying balance sheet.

## **Pension Trust**

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### ***University of California Retirement System***

#### **Plan Description**

The University of California Retirement System (UCRS) includes a defined benefit plan (the Retirement Plan), in which eligible employees of the UC are required to participate. The Retirement Plan provides retirement, disability, and survivor benefits. At June 30, 1994, the Retirement Plan had approximately 89,000 active members, 77,500 of whom also participate in Social Security, with approximately 27,300 recipients receiving monthly benefits.

#### **Investment Matters**

The UCRS has investments in equities, bonds, mortgage loans, and other miscellaneous investments. The UCRS' investments are reported at market value.

#### **Actuarial Present Value of Accumulated Plan Benefits**

Actuarial methods and assumptions include the expected return on actuarial value of assets at 8.5 percent, as well as valuing actuarial assets based on a five-year moving average of market values.

The actuarial present value of accumulated UCRS plan benefits at June 30, 1994, was \$11 billion, composed of vested benefits of \$10.7 billion and nonvested benefits of \$0.3 billion. The actuarial present value excludes future salary increases while actual future benefits will be based upon then-current salary levels. When projections for future salary increases are included in this calculation, the actuarial present value of accumulated plan benefits is \$13.9 billion. Net assets available for benefits were \$16.5 billion at June 30, 1994.

## **Funding Policy**

The UCRS is funded through the UC and employee contributions. The pension expense related to the UCRS was \$23.6 million for fiscal year 1993-94. In 1984, the State agreed to pay \$66.5 million in actuarially equivalent annual installments over 30 years. In 1989-90, the State agreed to pay \$57.2 million in actuarially equivalent annual installments over 30 years. At June 30, 1994, the amount due from the State was \$112 million. That amount is recorded as a receivable from the State and as an interfund payable and receivable between the UC's unrestricted current and retirement plan funds.

Certain employees participate in the Public Employees' Retirement Fund (PERF). Pension expense paid to PERF was \$4.4 million for fiscal year 1993-94. For those employees who participated in PERF, a special defined benefit provision plan, providing lifetime supplemental retirement income and survivor benefits, was provided to those who elected early retirement under the Voluntary Early Retirement Incentive Plan. The cost of the plan is to be paid into UCRS annually by the UC and three major Department of Energy laboratories in actuarially determined installments through 1996. Pension expense related to this plan for the year ended June 30, 1994, was \$6.3 million. The remaining \$5.5 million to be paid into UCRS over the next two years is not reflected in the UC's financial statements.

## **Postretirement Health Care Benefits**

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In addition to pension benefits, the UC provides certain health plan benefits to retired employees. Employees who meet specific requirements may continue their medical and dental benefits into retirement. There are more than 32,800 retirees currently eligible to receive such benefits. The cost of retiree medical and dental coverage is recognized when paid. The cost of providing medical and dental benefits for retirees and their families and survivors in fiscal year 1993-94 was \$100 million.

## **Commitments and Contingencies**

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As of June 30, 1994, the UC had authorized construction projects totaling \$855 million.

The UC is contingently liable in connection with claims and contracts, including those currently in litigation, arising in the normal course of its activities. Several of these claims are related to medical malpractice. The UC maintains self-insurance reserves for medical malpractice claims, workers' compensation claims, and certain other risks. Such risks are subject to various per-claim and aggregate limits, with excess liability coverage provided by an independent insurer. UC management and General Counsel are of the opinion that the outcome of such matters will not have a material effect on the financial statements.

Rental expenditures for noncancelable operating leases totaled \$62 million during fiscal year 1993-94. Minimum required payments for fiscal year 1994-95 are \$38 million. These payments will decrease in subsequent years.

**Note 28.**

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***Component Units—Authorities***

The component units are organizations which are legally separate from the State but for which the State is financially accountable, or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are discretely presented in the general purpose financial statements and for ease of presentation are included in the statements under the heading of "authorities." The authorities are presented here in three separate groups: State Compensation Insurance Fund, Building Authorities, and Conduit Financing Authorities.

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***State Compensation Insurance Fund***

The State Compensation Insurance Fund (SCIF) is a self-supporting enterprise created to offer insurance protection to employers at the lowest possible cost. It operates in competition with other insurance carriers to provide services to the State, county, city, school district, or other public corporations. The SCIF is legally separate from the State. It is a component unit of the State because the State appoints all five voting members of the SCIF's governing board and has the authority to approve or modify the budget for support of the SCIF to run the workers' compensation benefit program. Copies of the SCIF's financial statements may be obtained from the State Compensation Insurance Fund, 1275 Market Street, San Francisco, California 94103.

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***Building Authorities***

The State has entered into Joint Exercise of Powers Agreements with various cities for the purpose of creating building authorities to finance the construction of state buildings. The building authorities are legally separate from the State. However, the State does appoint a voting majority of the governing boards for three of the building authorities, and it has the authority to remove appointed members for two of the building authorities at any time. Additionally, the fourth building authority cannot issue revenue bonds without the approval of the State. For these reasons and because the building authorities were created for the purpose of financing the construction of state buildings, the building authorities are included in the financial statements. Below is a list and description of these four building authorities:

The *East Bay State Building Authority* was created in 1989, by a Joint Exercise of Powers Agreement (JPA) between the Department of General Services, the Department of Transportation, and the City of Oakland for the purpose of financing the acquisition of land and the construction of a Department of Transportation state office building and parking facilities. Copies of the financial statements may be obtained from the East Bay State Building Authority, 111 Grand Avenue, Oakland, California 94612.

The *Los Angeles State Building Authority* was created in 1982, by a JPA between the State, acting through the director of the Department of General Services, and the Community Redevelopment Agency of the City of Los Angeles for the purpose of

financing the construction of a Los Angeles state office building. Copies of the financial statements may be obtained from the Los Angeles State Building Authority, 300 South Spring Street, Los Angeles, California 90013.

The *San Francisco State Building Authority* was created by a JPA between the State, acting through the director of the Department of General Services, and the Redevelopment Agency of the City and County of San Francisco for the purpose of financing the acquisition of land and the design and construction of a state building. Copies of the financial statements may be obtained from the San Francisco State Building Authority, San Francisco Redevelopment Agency, 770 Golden Gate Avenue, San Francisco, California 94102.

The *California State University and Colleges Headquarters Building Authority* was created by a JPA between the City of Long Beach and the Trustees of the California State University and Colleges for the purpose of acquiring, constructing, maintaining, operating, leasing, and subleasing buildings for public education purposes, including a headquarters building for the Trustees. Copies of the financial statements may be obtained from the California State University and Colleges Headquarters Building Authority, 400 Golden Shore, Suite 102, Long Beach, California 90802-4275.

### **Conduit Financing Authorities**

State legislation created various authorities to provide certain private and public entities with a low-cost source of financing for use in purchasing land or equipment, constructing facilities, or providing low-cost student loans or housing that are deemed to be in the public interest. This debt is secured solely by the credit of the private and public entities and, except for the Pollution Control Bonds administered by the State Treasurer's Office, is administered by trustees independent of the State. The conduit financing authorities are legally separate from the State. The governing boards of the conduit financing authorities either consist of State officials serving as required by law or the State appoints a voting majority of the governing board. Below is a list and description of the conduit financing authorities:

The *California Alternative Energy Source Financing Authority* was established by Chapter 908, Statutes of 1980, for the purpose of providing California industry an alternative method of financing the construction and installation of facilities using alternative methods and sources of energy. Chapter 1218, Statutes of 1994, renamed the Authority to the California Alternative Energy and Advanced Transportation Financing Authority and expanded the purpose of the Authority to include the financing and development of advanced transportation technologies. At June 30, 1994, the California Alternative Energy and Advanced Transportation Financing Authority had approximately \$112 million of debt outstanding, which is not debt of the State. Copies of the financial statements may be obtained from the California Alternative Energy Source Financing Authority, 915 Capitol Mall, Room 466, Sacramento, California 95814.



The *California Pollution Control Financing Authority* was established by Chapter 1257, Statutes of 1972, for the purpose of providing California businesses with a reasonable method of financing pollution control facilities and to foster compliance with government imposed environmental standards and requirements. At June 30, 1994, the California Pollution Control Financing Authority had approximately \$4 billion of debt outstanding, which is not debt of the State. Copies of the financial statements may be obtained from the California Pollution Control Financing Authority, 915 Capitol Mall, Room 466, Sacramento, California 95814.

The *California Health Facilities Financing Authority* was established by Chapter 1033, Statutes of 1979, to issue revenue bonds to assist qualified private nonprofit corporations or associations, counties and hospital districts in financing or refinancing the construction, equipping, or acquiring of health facilities. At June 30, 1994, the California Health Facilities Financing Authority had approximately \$4.6 billion of outstanding debt, which is not debt of the State. Copies of the financial statements may be obtained from the California Health Facilities Financing Authority, 915 Capitol Mall, Suite 590, Sacramento, California 95814.

The *California Educational Facilities Authority* was established by Chapter 1010, Statutes of 1976, for the purpose of issuing revenue bonds to assist private educational institutions of higher learning in the expansion and construction of nonsectarian educational facilities. At June 30, 1994, the California Educational Facilities Authority had approximately \$1.3 billion of outstanding debt, which is not debt of the State. Copies of the financial statements may be obtained from the California Educational Facilities Authority, Bradbury Building, 304 South Broadway, Suite 500, Los Angeles, California 90013.

The *California School Finance Authority* was established by Chapter 1438, Statutes of 1985, for the purpose of providing loans to school and community college districts to assist in obtaining equipment and new school sites, constructing new facilities, reconstructing existing facilities, and acquiring portable/relocatable buildings. At June 30, 1994, the California School Finance Authority had approximately \$22 million in outstanding debt, which is not debt of the State. Copies of the financial statements may be obtained from the California School Finance Authority, Bradbury Building, 304 South Broadway, Suite 500, Los Angeles, California 90013.

The *California Student Loan Authority* was created by Chapter 1357, Statutes of 1980, for the purpose of providing funds through revenue bonds in order to allow California college students greater access to low-cost federally reinsured student loans. Copies of the financial statements may be obtained from the California Student Loan Authority, Bradbury Building, 304 South Broadway, Suite 500, Los Angeles, California 90013.

The *California Housing and Infrastructure Finance Agency* was created for the purpose of meeting the housing needs of persons and families of low and moderate income. Copies of the financial statements may be obtained from California Housing and Infrastructure Finance Agency, 1121 L Street, Sacramento, California 95814.

## Component Unit Combining Financial Statements

The following pages present combining financial statements for each of the three groups of discretely presented component units:

### STATE OF CALIFORNIA COMBINING BALANCE SHEET—AUTHORITIES As of June 30, 1994 (In Thousands)

	SCIF	Building Authorities	Conduit Financing Authorities	Total
<b>Assets</b>				
Cash and pooled investments	\$ 212,085	\$ 25,935	\$ 575,251	\$ 813,271
Investments	5,863,422	18,303	817,828	6,699,553
Receivables (net)	206,712	8,041	49,040	263,793
Due from primary government	6,923			6,923
Due from other governments			9	9
Prepaid expenses		1,334	8	1,342
Net investment in direct financing leases		502,439		502,439
Advances and loans receivable			2,460,541	2,460,541
Deferred charges		3,398		3,398
Fixed assets	194,719	1,152	134	196,005
Other assets	37,260		26,432	63,692
<b>Total Assets</b>	<b>\$6,521,121</b>	<b>\$560,602</b>	<b>\$3,929,243</b>	<b>\$11,010,966</b>
<b>Liabilities</b>				
Accounts payable		\$ 1,850	\$ 151,541	\$ 153,391
Dividends payable	\$ 73,000			73,000
Advances from other funds			467	467
Benefits payable	5,135,184			5,135,184
Compensated absences payable			910	910
Certificates of participation and other borrowings		120,537		120,537
Advance collections	196,855		35,648	232,503
Revenue bonds payable		236,063	3,166,634	3,402,697
Interest payable		10,622	85,809	96,431
Other liabilities	56,024	171,662	623	228,309
<b>Total Liabilities</b>	<b>5,461,063</b>	<b>540,734</b>	<b>3,441,632</b>	<b>9,443,429</b>
<b>Fund Equity</b>				
Contributed capital		3,456		3,456
Retained earnings				
Reserved for regulatory requirement	100,000	4,113	335,195	439,308
Unreserved	960,058	12,299	152,416	1,124,773
<b>Total Fund Equity</b>	<b>1,060,058</b>	<b>19,868</b>	<b>487,611</b>	<b>1,567,537</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$6,521,121</b>	<b>\$560,602</b>	<b>\$3,929,243</b>	<b>\$11,010,966</b>

**STATE OF CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS/FUND BALANCES—AUTHORITIES**  
**As of June 30, 1994**  
**(In Thousands)**

	SCIF	Building Authorities	Conduit Financing Authorities	Total
<b>Operating Revenues</b>				
Services and sales			\$ 40,048	\$ 40,048
Earned premiums (net)	\$1,735,257			1,735,257
Investment and interest		\$ 824	277,894	278,718
Rent		28,827		28,827
Other		1	27,679	27,680
<b>Total Operating Revenues</b>	<b>1,735,257</b>	<b>29,652</b>	<b>345,621</b>	<b>2,110,530</b>
<b>Operating Expenses</b>				
Personal services	93,313		7,415	100,728
Supplies			2,655	2,655
Services and charges	90,315	3,996	37,488	131,799
Depreciation	5,102		230	5,332
Benefit payments	1,639,239			1,639,239
Interest expense			231,468	231,468
Amortization of deferred charges		7	4,734	4,741
<b>Total Operating Expenses</b>	<b>1,827,969</b>	<b>4,003</b>	<b>283,990</b>	<b>2,115,962</b>
<b>Operating Income (Loss)</b>	<b>(92,712)</b>	<b>25,649</b>	<b>61,631</b>	<b>(5,432)</b>
<b>Nonoperating Revenue (Expenses)</b>				
Interest revenue	530,858	107	425	531,390
Interest expense and fiscal charges		(19,799)		(19,799)
Loss on early extinguishment of debt			(4,887)	(4,887)
Other			29	29
<b>Net Nonoperating Revenues (Expenses)</b>	<b>530,858</b>	<b>(19,692)</b>	<b>(4,433)</b>	<b>506,733</b>
<b>Operating Transfers</b>				
Operating transfers in		30	3,699	3,729
Operating transfers out			(3,929)	(3,929)
Residual equity transfer		3,456		3,456
<b>Operating Transfers</b>		<b>3,486</b>	<b>(230)</b>	<b>3,256</b>
<b>Net Income</b>	<b>438,146</b>	<b>9,443</b>	<b>56,968</b>	<b>504,557</b>
Dividends paid	(167,353)			(167,353)
Retained Earnings, July 1, 1993, as restated	789,265	10,425	430,643	1,230,333
<b>Retained Earnings, June 30, 1994</b>	<b>\$1,060,058</b>	<b>\$19,868</b>	<b>\$487,611</b>	<b>\$1,567,537</b>

## **Significant Accounting Policies**

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The financial statements of the State Compensation Insurance Fund have been prepared in conformity with accounting practices prescribed or permitted by the Department of Insurance of the State of California. These accounting practices represent a comprehensive basis of accounting other than GAAP. The financial statements of the State Compensation Insurance Fund, included in the State's general purpose financial statements as a component unit, are as of and for the year ended December 31, 1993.

The accounts of the remaining authorities are reported using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

### ***Fixed Assets—Property and Depreciation***

Depreciation on buildings for the State Compensation Insurance Fund is computed on a straight-line basis over the estimated useful lives of the buildings (40 to 50 years). Data processing equipment owned by the State Compensation Insurance Fund is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated useful lives of the equipment (4 to 5 years).

## **Cash and Pooled Investments and Investments**

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Cash in excess of needs of the various authorities are invested in the State Treasurer's Pooled Investment program. Additionally, state law, bond resolutions, and investment policy resolutions allow the authorities to invest in United States government securities, Canadian government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, and other investments.

All investments reported as of June 30, 1994, were insured or registered in an authority's name or held by an authority or an agent of an authority in the authority's name. The following table presents the carrying value and market value of the investments of the authorities that were reported to the State on June 30, 1994 (in thousands):

	<b>Carrying Value</b>	<b>Market Value</b>
U.S. government securities and U.S. government agency securities	\$3,724,200	\$4,121,831
Canadian government securities	59,551	68,083
State and municipal securities	29,946	31,564
Commercial paper	75,713	75,713
Corporate bonds	2,127,192	2,255,695
Investment agreements	650,341	650,341
Money market	32,610	32,610
<b>Total Investments</b>	<b>\$6,699,553</b>	<b>\$7,235,837</b>

Included in the investments of the authorities are the investments of the State Compensation Insurance Fund as of and for the year ended December 31, 1993. The State Compensation Insurance Fund represents 87 percent of the carrying value and 88 percent of the market value of the authorities' investments.

#### **Due From the Primary Government**

The due from the primary government account balance reflects \$6.9 million that is due to the State Compensation Insurance Fund from the State's General Fund.

#### **Restricted Assets**

Cash and Pooled Investments and Investments totaling \$446.7 million and \$820 million, respectively, were restricted for debt service.

#### **Fixed Assets**

Property and data processing equipment for the authorities comprise the following (in thousands):

Real estate:	
Office building	\$179,872
Land	31,770
Furniture and equipment	36,582
Construction in progress	1,152
<b>Total Fixed Assets</b>	<b>249,376</b>
Accumulated depreciation	(53,371)
<b>Net Fixed Assets</b>	<b>\$196,005</b>

### **Certificates of Participation**

The East Bay State Building Authority (EBSBA) issued certificates of participation (COPs) for the purpose of constructing a state office building. A lease with the California Department of Transportation pays the principal and interest on the COPs issued by the EBSBA. Title to the leased building is conveyed to the California Department of Transportation upon expiration of the lease or when the financing is fully paid. The primary government has no legal liability for payment of principal or interest on these COPs. Debt service requirements are as follows (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
1995	\$ 4,825	\$ 5,134	\$ 9,959
1996	17,795	4,883	22,678
1997	6,050	3,909	9,959
1998	6,390	3,571	9,961
1999	4,593	5,368	9,961
Thereafter	80,884	90,975	171,859
<b>Total Certificates of Participation</b>	<b>\$120,537</b>	<b>\$113,840</b>	<b>\$234,377</b>

### **Revenue Bonds**

Under State law, the California Housing and Infrastructure Finance Authority (CHIFA), the California State University and Colleges Headquarters Building Authority (CSUHQ), the Los Angeles State Building Authority (LASBA), and the San Francisco State Building Authority (SFSBA) may issue revenue bonds. The bonds issued by the CHIFA allow the State to make

loans to finance housing developments and to finance the acquisition of homes by low to moderate income families. When the housing development and home loans financed by the revenue bonds are fully paid, the housing developments and homes become the property of private individuals or entities. The CSUHQ issues bonds for the purpose of acquiring and constructing buildings for public education purposes, including a headquarters building for the trustees. The LASBA and the SFSBA issue bonds for the purpose of constructing state office buildings.

Principal and interest on the revenue bonds issued by the CHIFA are payable from its earnings. A lease with the California State University Chancellor's Office pays the principal and interest on the revenue bonds issued by the CSUHQ. Leases with the State pay the principal and interest on the revenue bonds issued by the LASBA and the SFSBA. See Note 14. The primary government has no legal liability for payment of principal and interest on the revenue bonds of the CSUHQ, the LASBA, and the SFSBA.

***Changes in Bond Indebtedness***

The following schedule summarizes the changes in revenue bond debt of these authorities for the year ended June 30, 1994 (in thousands):

	<b>Balance July 1, 1993</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 1994</b>
Conduit Financing Authorities	\$3,497,799	\$880,824	\$1,211,989	\$3,166,634
Building Authorities	179,229	62,705	5,871	236,063
<b>Total Revenue Bonds</b>	<b>\$3,677,028</b>	<b>\$943,529</b>	<b>\$1,217,860</b>	<b>\$3,402,697</b>

***Debt Service Requirements***

The following schedule shows the debt service requirements for revenue bonds, including interest of \$4.1 billion, as of June 30, 1994 (in thousands):

<b>Year Ending June 30</b>	<b>CHIFA</b>	<b>CSUHQ</b>	<b>LASBA</b>	<b>SFSBA</b>
1995	\$ 211,111	\$ 352	\$ 23,409	\$ 4,920
1996	235,960	344	23,408	4,917
1997	251,946	342	23,977	4,917
1998	254,745	338	24,274	4,918
1999	259,657	337	24,277	4,920
Thereafter	5,872,727	668	253,494	73,765
<b>Total</b>	<b>\$7,086,146</b>	<b>\$2,381</b>	<b>\$372,839</b>	<b>\$98,357</b>

### **Early Extinguishment of Debt**

#### ***Fiscal Year 1993-94 Defeasances***

In December 1993, the CHIFA issued Single Family 1993 Series B Home Mortgage Revenue bonds to refund 1978 Series A, B, C, and D, 1979 Series A and B, and 1991 Series A Home Ownership and Home Improvement Revenue Bonds.

In February and in June 1994, the CHIFA issued Housing Revenue Bonds (Insured), 1994 Series A and 1994 Series C and D to refinance development loans originally funded with the proceeds of 1985 A, 1985 B, and 1987 A bonds of the same indenture. Also in June 1994, the CHIFA delivered Multi-Unit Rental Housing Revenue Bonds II 1994 Series A for which escrow receipts were sold in June 1992 to redeem 1984 Series A bonds of that indenture when they became subject to optional redemption.

As proceeds from the bonds sold or delivered in June 1994 were used to redeem bonds on August 1, 1994, the CHIFA considered these transactions as in-substance defeasances and, accordingly, removed from the combined balance sheet the bonds payable and related accounts and the assets acquired to effect the redemptions. Total bonds defeased were \$13.7 million for the Housing Revenue Bonds (Insured) indenture and \$11.7 million for the Multi-Unit Rental Housing Revenue Bonds II Indenture.

In August 1993, the CHIFA redeemed a portion of the bonds outstanding of the Multi-Unit Rental Housing Revenue Bonds I 1981 Series B Indenture. In February 1994, the CHIFA redeemed all remaining bonds outstanding of the Multi-Unit Rental Housing Revenue Bonds I 1981 Series A and 1981 Series B with sources of funds not currently held under the lien of the indenture.

On March 1, 1994, the CHIFA redeemed Insured Housing Revenue Bonds 1985 Series A and 1985 Series B in connection with the issuance of the 1994 Series A refunding bonds, held under the same indenture.



### ***Prior Year Defeasances***

In prior years, the Los Angeles State Building Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable escrow to provide for future debt service payments on a portion of the old bonds. Accordingly, the assets and the liability for the defeased bonds are not included in the State's financial statements. On June 30, 1994, \$107.9 million of bonds outstanding are considered defeased.

### **Commitments**

As of June 30, 1994, the California Housing and Infrastructure Finance Agency has outstanding commitments to provide \$7.4 million for loans under the Housing Revenue Bonds (Insured) Program, \$32.7 million for loans under the Multi-Unit Rental Housing Revenue Bonds I Program, \$5 million for loans under the Multi-Unit Rental Housing Revenue Bonds II Program, and \$194.2 million for loans under the Home Mortgage Revenue Bonds Program.

### **Restatement of Component Unit Beginning Retained Earnings**

During fiscal year 1993-94, the California Student Loan Authority and the California Educational Facilities Authority performed a complete fixed asset inventory which resulted in a restatement of June 30, 1993, balances, as follows:

#### **California Student Loan Authority**

	<b>Retained Earnings– Beginning</b>	<b>Net Loss</b>	<b>Retained Earnings– Ending</b>
As previously reported	\$9,000,687	\$(2,488,269)	\$6,512,418
Adjustments	18,995	(4,141)	14,854
<b>Total</b>	<b>\$9,019,682</b>	<b>\$(2,492,410)</b>	<b>\$6,527,272</b>

### California Educational Facilities Authority

	Retained Earnings– Beginning	Net Income	Retained Earnings– Ending
As previously reported	\$2,924,791	\$324,450	\$3,249,241
Adjustments	12,918		12,918
<b>Total</b>	<b>\$2,937,709</b>	<b>\$324,450</b>	<b>\$3,262,159</b>

### Subsequent Events

From July 1, 1994, to December 15, 1994, the California Housing and Infrastructure Finance Authority issued approximately \$724 million in revenue bonds. Refunding bonds, which are issued to refinance existing debt, accounted for approximately \$458 million of the bonds issued.

From July 1, 1994, to December 15, 1994, the California Health Facilities Financing Authority and the California Pollution Control Financing Authority issued approximately \$57 million and \$236 million, respectively, in no-commitment debt revenue bonds. Additionally, the California Educational Facilities Authority issued approximately \$55 million in no-commitment debt of which approximately \$4 million were refunding bonds.

### Note 29.

#### *Joint Venture*

A joint venture is an entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

#### **Capital Area Development Authority**

The Capital Area Development Authority (CADA) was created in 1978 by the Joint Exercise of Powers Agreement (JPA) between the State of California (State) and the City of Sacramento (City) for the location of state buildings and other improvements in the central City. The CADA is a public entity separate from the State and the City and is administered by a board of five members: two members appointed by the State, two members appointed by the City, and the fifth member appointed by the affirmative vote of at least three of the other four members of the board. The State designates the chairperson of the board. Although the State does not have an equity interest in the CADA, it has an ongoing financial interest in the CADA. Based upon the appointment authority, the State has the ability to indirectly influence the CADA to

undertake special projects for the citizenry of the State. The State subsidizes the CADA's operations by leasing the lands to the CADA without consideration; however, the State is not obligated to do so. Separately issued financial statements of the CADA can be obtained from its administrative office at 1230 N Street, Suite 200, Sacramento, California 95814.

**STATISTICAL SECTION**

**STATE OF CALIFORNIA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1985 THROUGH 1994**  
(In Thousands)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
General government	\$ 1,718,147	\$ 2,157,385	\$ 1,880,521	\$ 1,842,331	\$ 2,081,579	\$ 2,741,287	\$ 2,812,140	\$ 2,786,667	\$ 2,681,084	\$ 3,156,167
Education	14,991,210	16,953,147	18,242,436	18,873,313	19,660,647	22,867,811	22,350,139	25,560,756	22,613,122	21,751,525
Health and welfare	14,154,000	14,554,960	16,499,778	17,040,861	19,539,017	22,856,943	24,589,169	28,074,053	30,248,244	33,356,725
Resources	599,616	743,931	766,707	765,176	1,409,351	1,356,665	1,503,840	1,864,548	1,671,655	1,656,441
State and consumer services	618,035	711,237	793,572	1,123,851	1,670,385	568,910	586,709	624,889	553,122	625,484
Business and transportation	2,912,834	2,823,357	2,999,779	3,304,988	3,367,150	4,097,360	4,502,150	5,331,881	5,985,426	5,894,401
Correctional programs	1,211,818	1,264,060	1,855,042	1,846,112	1,955,060	2,350,397	2,705,465	3,000,849	2,862,733	3,107,224
Property tax relief	944,850	925,750	993,548	1,011,781	949,699	948,896	930,233	828,212	808,053	464,675
Capital outlay	294,605	698,967	636,147	686,257	676,340	635,841	942,404	795,344	804,085	944,767
Debt service	375,829	444,942	638,535	678,340	856,538	984,791	1,220,593	1,433,140	1,649,685	1,884,352
<b>Total</b>	<b>\$37,820,944</b>	<b>\$41,277,736</b>	<b>\$45,306,065</b>	<b>\$47,173,010</b>	<b>\$52,165,766</b>	<b>\$59,408,901</b>	<b>\$62,142,842</b>	<b>\$70,300,339</b>	<b>\$69,877,209</b>	<b>\$72,841,761</b>

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

Note: Includes general, special revenue, and capital projects funds.

**STATE OF CALIFORNIA**  
**GENERAL REVENUES BY SOURCE**  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1985 THROUGH 1994**  
(In Thousands)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Taxes	\$26,274,712	\$27,746,989	\$30,650,517	\$31,784,962	\$36,743,408	\$38,468,384	\$38,041,098	\$41,132,063	\$43,257,754	\$42,209,971
Intergovernmental	8,935,870	9,500,748	9,804,735	9,532,594	11,226,909	13,533,050	15,024,782	18,078,536	21,535,501	25,259,035
Licenses and permits	1,224,057	1,237,717	1,275,597	1,389,586	1,440,119	1,526,473	1,726,500	2,609,734	2,714,575	2,725,130
Natural resources	516,017	427,120	167,422	225,340	119,456	147,251	171,628	235,983	85,081	44,978
Charges for services	202,392	212,560	274,388	237,164	258,984	306,318	361,562	513,306	340,833	345,550
Fees	422,103	588,422	627,867	784,597	907,562	1,103,325	1,300,698	1,295,422	1,579,710	1,435,721
Penalties	79,568	138,866	406,643	237,600	285,959	367,774	288,902	457,040	543,170	386,507
Interest	626,937	679,011	653,928	612,968	692,352	747,701	702,199	511,353	368,693	318,973
Other	149,565	208,656	429,706	225,105	281,422	532,317	583,214	538,228	668,153	753,235
<b>Total</b>	<b>\$38,431,221</b>	<b>\$40,740,089</b>	<b>\$44,290,803</b>	<b>\$45,029,916</b>	<b>\$51,956,171</b>	<b>\$56,732,593</b>	<b>\$58,200,583</b>	<b>\$65,371,665</b>	<b>\$71,093,470</b>	<b>\$73,479,100</b>

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

Note: Includes general, special revenue, and capital projects funds.

**STATE OF CALIFORNIA  
 PERCENTAGE OF GENERAL LONG-TERM  
 BONDED DEBT TO PER CAPITA INCOME  
 FOR FISCAL YEARS ENDED JUNE 30, 1985 THROUGH 1994**

Year	General Long-Term Bonded Debt (in Thousands)	Per Capita Debt	Per Capita Income	Percentage of Per Capita Debt to Per Capita Income
1985	\$ 2,771,642	\$104.97	\$16,313	.64%
1986	3,388,590	125.26	17,080	.73
1987	3,366,735	121.47	17,828	.68
1988	3,248,925	114.43	18,703	.61
1989	4,115,450	141.22	19,620	.72
1990	5,168,355	172.42	20,656	.83
1991	7,735,955	252.43	20,880	1.21
1992	11,311,245	361.38	20,599	1.75
1993	13,262,192	417.81	21,884	1.91
1994	14,301,119	444.96	22,145	2.01

Sources: State Controller's Annual Reports, California Department of Finance estimates (as revised), and the general purpose financial statements of the State of California.

**STATE OF CALIFORNIA  
 PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
 GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
 AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1985 THROUGH 1994  
 (Amounts in Thousands)**

Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Percentage of Debt Service to Total General Expenditures
1985	\$203,258	\$1,009,948	\$ 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
1988	278,610	399,730	678,340	47,173,010	1.4
1989	273,475	583,063	856,538	52,165,766	1.6
1990	322,095	662,696	984,791	59,408,901	1.7
1991	388,400	832,193	1,220,593	62,142,842	2.0
1992	522,710	910,430	1,433,140	70,300,339	2.0
1993	666,950	982,735	1,649,685	69,877,209	2.4
1994	874,404	1,009,948	1,884,352	72,841,761	2.6

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

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



**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE POPULATION  
CALENDAR YEAR 1940 THROUGH CALENDAR YEAR 1994**

<b>Year</b>	<b>United States Population</b>	<b>Average Annual Percent Increase</b>	<b>California Population</b>	<b>Average Annual Percent Increase</b>	<b>California as a Percentage of United States</b>
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	227,225,000	1.1	23,782,000	1.9	10.5
1981	229,466,000	1.0	24,278,000	2.1	10.6
1982	231,664,000	1.0	24,805,000	2.2	10.7
1983	233,792,000	.9	25,337,000	2.1	10.8
1984	235,825,000	.9	25,816,000	1.9	10.9
1985	237,924,000	.9	26,403,000	2.3	11.1
1986	240,133,000	.9	27,052,000	2.5	11.3
1987	242,289,000	.9	27,717,000	2.5	11.4
1988	244,499,000	.9	28,393,000	2.4	11.6
1989	246,819,000	.9	29,142,000	2.6	11.8
1990	249,391,000	1.0	29,976,000	2.9	12.0
1991	252,160,000	1.1	30,646,000	2.2	12.2
1992	255,082,000	1.2	31,300,000	2.1	12.3
1993	257,906,000	1.1	31,742,000	1.4	12.3
1994	(a)		32,140,000	1.3	

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

<sup>(a)</sup> Not available.

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE PERSONAL INCOME  
CALENDAR YEAR 1980 THROUGH CALENDAR YEAR 1994**

Year	United States		California		California as a Percentage of United States
	Personal Income (in millions)	Percent Change	Personal Income (in millions)	Percent Change	
1980	\$2,259,000		\$277,967		12.3%
1981	2,526,000	11.8%	311,762	12.2%	12.3
1982	2,683,500	6.2	332,845	6.8	12.4
1983	2,857,700	6.5	357,818	7.5	12.5
1984	3,144,400	10.0	397,351	11.0	12.6
1985	3,368,100	7.1	431,381	8.6	12.8
1986	3,579,800	6.3	462,970	7.3	12.9
1987	3,789,300	5.9	495,289	7.0	13.1
1988	4,061,800	7.2	532,444	7.5	13.1
1989	4,366,100	7.5	573,255	7.7	13.1
1990	4,655,400	6.6	617,679	7.7	13.3
1991	4,840,800	4.0	634,897	2.8	13.1
1992	5,135,100	6.1	667,319	5.1	13.0
1993	5,359,600	4.4	683,003	2.4	12.7
1994	(a)		711,754	4.2	

Sources: Bureau of Economic Analysis of the U.S. Department of Commerce (as revised) and State of California, Department of Finance.

<sup>(a)</sup> Not available

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE  
PER CAPITA PERSONAL INCOME  
CALENDAR YEAR 1980 THROUGH CALENDAR YEAR 1994**

Year	United States		California		California as a Percentage of United States
	Per Capita Personal Income	Percent Change	Per Capita Personal Income	Percent Change	
1980	\$ 9,940		\$11,681		117.5%
1981	11,009	10.8%	12,838	9.9%	116.6
1982	11,583	5.2	13,410	4.5	115.8
1983	12,223	5.5	14,109	5.2	115.4
1984	13,332	9.1	15,373	9.0	115.3
1985	14,155	6.2	16,313	6.1	115.2
1986	14,906	5.3	17,080	4.7	114.6
1987	15,638	4.9	17,828	4.4	114.0
1988	16,610	6.2	18,703	4.9	112.6
1989	17,690	6.5	19,620	4.9	110.9
1990	18,667	5.5	20,656	5.3	110.7
1991	19,199	2.8	20,880	1.1	108.8
1992	20,131	4.9	20,599	(3.4)	107.3
1993	20,781	3.2	21,884	1.3	105.3
1994	(a)		22,145	1.2	

Sources: Bureau of Economic Analysis of the U.S. Department of Commerce (as revised) and State of California, Department of Finance.

<sup>(a)</sup> Not available

**STATE OF CALIFORNIA  
CIVILIAN LABOR FORCE FOR  
RESIDENT POPULATION AGE 16 AND OVER  
CALENDAR YEAR 1980 THROUGH CALENDAR YEAR 1994**

Year	Labor Force Trends (In Thousands)			Unemployment Rate	
	Total Labor Force	Employed	Unemployed	United States	California
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	12,981	12,048	934	7.2	7.2
1986	13,332	12,442	890	7.0	6.7
1987	13,737	12,946	791	6.2	5.8
1988	14,133	13,385	748	5.5	5.3
1989	14,518	13,780	737	5.3	5.1
1990	15,136	14,286	850	5.5	5.6
1991	15,118	13,978	1,141	6.7	7.5
1992	15,335	13,939	1,396	7.4	9.1
1993	15,295	13,885	1,410	6.8	9.2
1994	15,470	14,141	1,330	6.1	8.6

Source: California Employment Development Department (as revised).

**STATE OF CALIFORNIA  
PERSONS EMPLOYED IN  
PRINCIPAL MANUFACTURING INDUSTRIES  
CALENDAR YEAR 1982 AND CALENDAR YEAR 1994  
(In Thousands)**

Industry	1982	1994	Percent Change
Instruments and related products	102.4	170.9	66.9%
Textile mill products	12.4	18.5	49.2
Apparel	102.4	143.5	40.1
Printing and publishing	124.5	152.6	22.6
Rubber and miscellaneous plastic products	61.2	70.2	14.7
Chemicals and allied products	65.7	72.1	9.7
Lumber and wood products	46.3	49.8	7.6
Paper and allied products	37.3	38.8	4.0
Food and kindred products	182.5	177.8	(2.6)
Furniture and fixtures	49.0	45.1	(8.0)
Stone, clay, and glass products	50.4	44.8	(11.1)
Industrial machinery	227.6	191.6	(15.8)
Fabricated metal products	138.8	113.4	(18.3)
Transportation equipment	266.3	179.7	(32.5)
Primary metal products	47.6	32.0	(32.8)
Petroleum and coal products	31.7	20.9	(34.1)
Leather and leather products	10.5	6.5	(38.1)
Electric and electronic equipment	358.0	212.8	(40.6)
Miscellaneous	43.2	37.8	(12.5)
<b>Total</b>	<b>1,957.8</b>	<b>1,778.8</b>	<b>(9.1)</b>

Sources: California Department of Finance and California Employment Development Department.

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