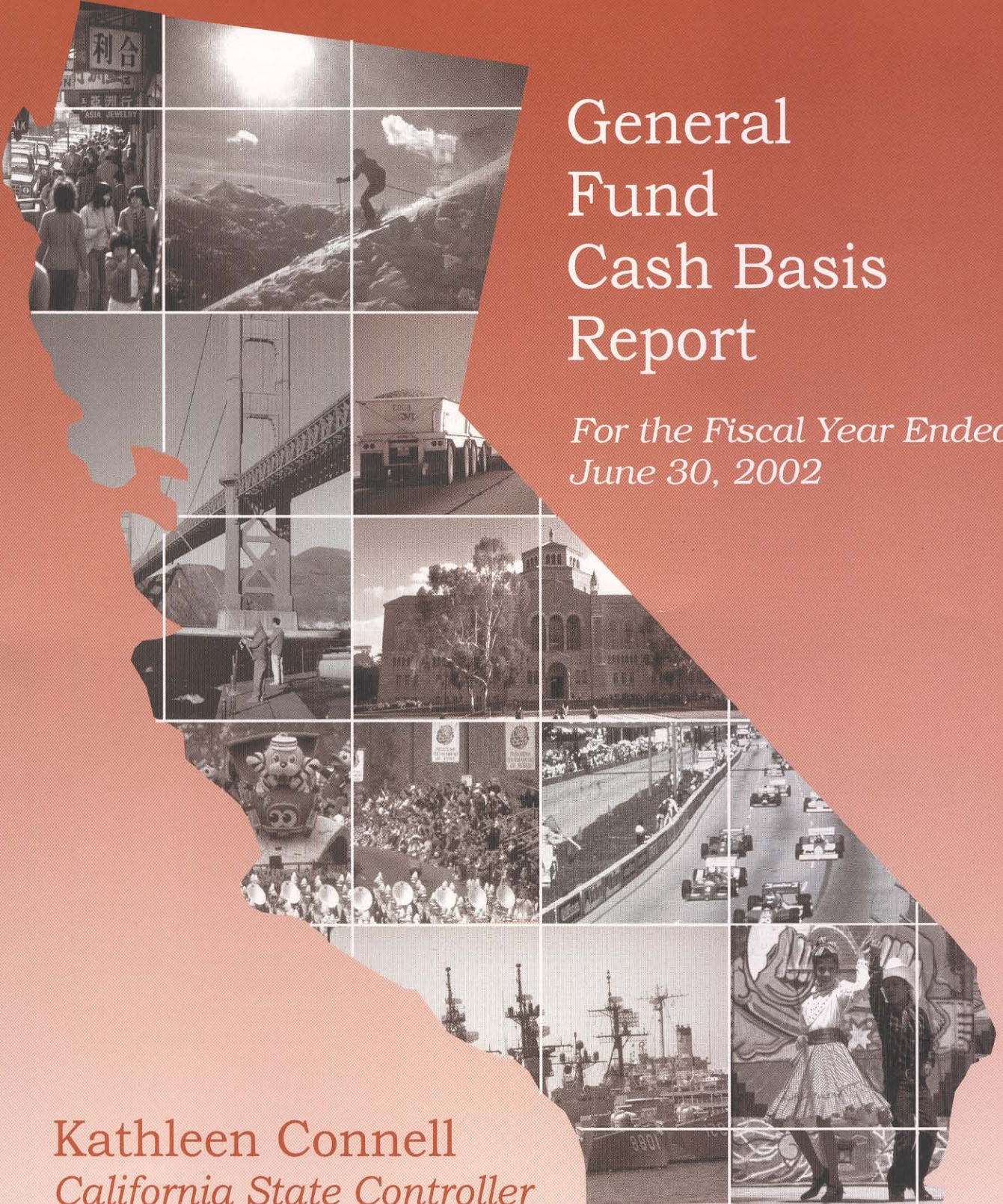


State of California

General Fund Cash Basis Report

*For the Fiscal Year Ended
June 30, 2002*

Kathleen Connell
California State Controller





KATHLEEN CONNELL

Controller of the State of California

July 10, 2002

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 2002. The General Fund, the State's primary funding source for general government services, ended the 2001-02 fiscal year with a cash deficit before loans of \$10.4 billion, which is \$13.8 billion less than the cash balance of \$3.4 billion at the beginning of the year. The primary causes of the deficit were a shortfall in personal income tax receipts and a delay in the sale of energy bonds, which would repay loans made by the General Fund.

The State manages General Fund cash shortages through a combination of internal and external borrowing. On October 4, 2001, at my request, the State issued \$5.7 billion in Revenue Anticipation Notes (RANs) to meet cash flow needs during the 2001-02 fiscal year. These RANs were repaid on June 28, 2002. On June 24, 2002, my office issued \$7.5 billion in Revenue Anticipation Warrants (RAWs) to meet cash flow needs for the early part of the 2002-03 fiscal year. The State closed its fiscal year with \$2.9 billion in internal borrowing and \$7.5 billion in external borrowing.

These statements are available on the Internet at the State Controller's homepage, www.sco.ca.gov, under the category "State Government Annual Financial Reports."

This report is published to provide authoritative information, using the cash basis of accounting, concerning the financial status of the General Fund as close to the end of the fiscal year as possible. This report does not, however, portray a complete picture of the State's operations or financial position. After the State Auditor completes the audit of the State's finances, I will issue the *Comprehensive Annual Financial Report*, prepared in conformance with generally accepted accounting principles. At that time, the *Budgetary/Legal Basis Annual Report*, which contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget, will also be issued.

Sincerely,

Originally Signed by

KATHLEEN CONNELL
California State Controller

Statement of Cash Receipts, Disbursements, and Balances

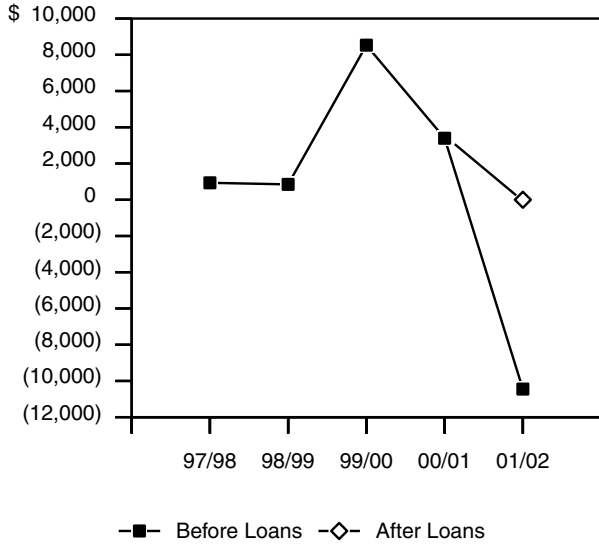
(Amounts in thousands)

	Year Ended June 30,	
	2002	2001
General Fund Beginning Cash Balance Before Loans, July 1	\$ 3,394,277	\$ 8,531,322
Receipts		
Revenues	64,341,833	77,587,204
Nonrevenues (Note 1)	2,262,675	743,202
Total Receipts	66,604,508	78,330,406
Disbursements		
State Operations	18,976,654	18,433,133
Local Assistance	58,303,226	58,092,522
Capital Outlay	411,461	1,866,906
Nongovernmental (Note 1)	2,755,424	5,074,890
Total Disbursements	80,446,765	83,467,451
Receipts Over (Under) Disbursements	(13,842,257)	(5,137,045)
General Fund Ending Cash Balance Before Loans, June 30	(10,447,980)	3,394,277
Loans (Note 2)		
From Special Fund for Economic Uncertainties	2,524,519	—
From Special Funds and Accounts	423,461	—
From Revenue Anticipation Warrants	7,500,000	—
Total Loans	10,447,980	—
General Fund Ending Cash Balance After Loans, June 30	—	3,394,277
Special Fund for Economic Uncertainties, June 30	—	204,486
Total Cash, June 30 (Note 1)	\$ —	\$ 3,598,763
Borrowable Resources (Note 2)		
Available Resources		
From Special Fund for Economic Uncertainties	\$ 2,524,519	\$ 204,486
From Special Funds and Accounts	10,455,168	12,137,899
From Revenue Anticipation Warrants	7,500,000	—
Total Available Resources	20,479,687	12,342,385
Total Loans	10,447,980	—
Unused Resources	\$ 10,031,707	\$ 12,342,385

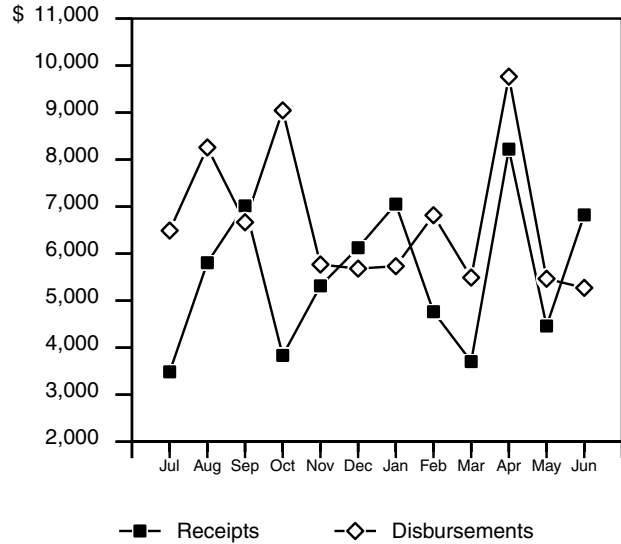
Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

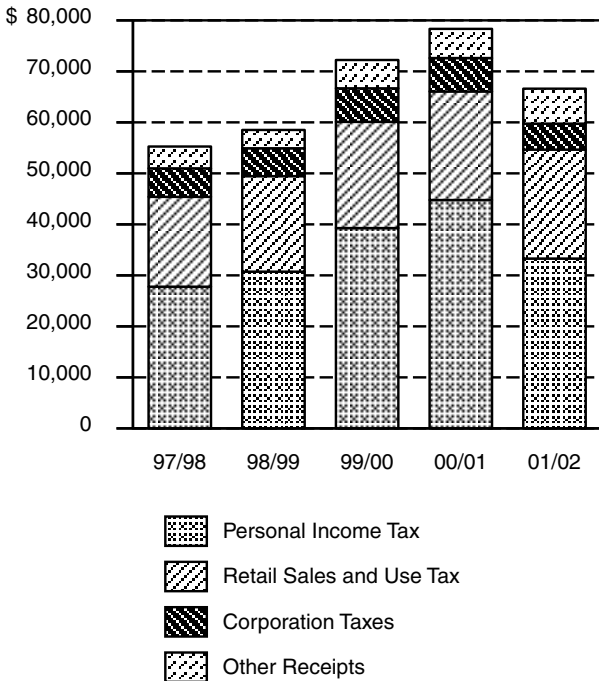
**Ending Cash Balances
Last Five Fiscal Years**



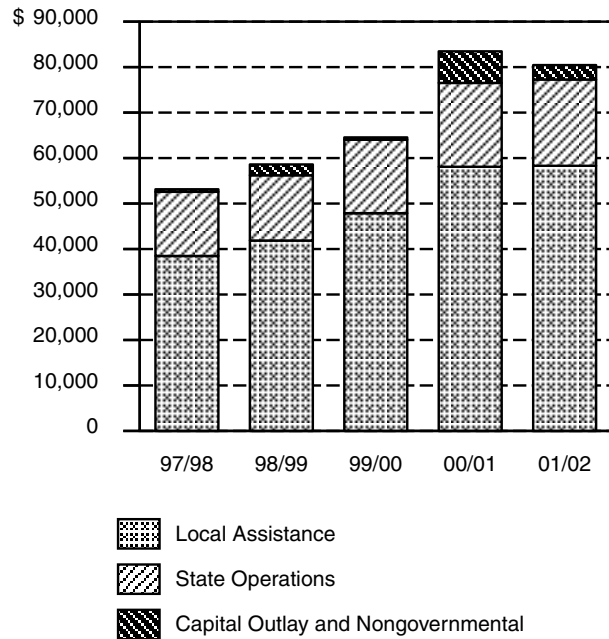
**Monthly Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2002**



**Cash Receipts
Last Five Fiscal Years**



**Cash Disbursements
Last Five Fiscal Years**



Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	2002	2001
RECEIPTS		
REVENUES		
Major Taxes and Licenses		
Personal Income Tax	\$ 33,295,428	\$ 44,772,001
Retail Sales and Use Taxes	21,368,831	21,290,637
Corporation (Income) Taxes	5,088,175	6,546,270
Insurance Gross Premiums Tax	1,590,753	1,501,455
Estate, Inheritance and Gift Tax	1,000,488	1,109,757
Excise Tax on Beer and Wine	151,080	151,386
Excise Tax on Distilled Spirits	145,372	133,641
Cigarette Tax	113,748	126,743
Horse Racing (Parimutuel) License Fees	3,153	3,866
Total Major Taxes and Licenses	62,757,028	75,635,756
Minor Revenues		
Pooled Money Investment Income	480,244	836,686
Abandoned Property	296,202	161,840
State Lands Royalties	15,303	13,708
Health Care Deposit Fund Receipts	13,782	19,641
Private Rail Car Tax	6,381	6,337
Liquor License Fees	2,434	1,755
Trial Court Revenues	538	766
Miscellaneous (Note 3)	769,921	910,715
Total Minor Revenues	1,584,805	1,951,448
Total Revenues	64,341,833	77,587,204
NONREVENUES		
Transfers from Other Funds (Note 4)	1,761,202	171,463
Transfers from Electric Power Fund (Note 5)	116,300	—
Transfers from Special Fund for Economic Uncertainties	10,280	230,695
Miscellaneous	374,893	341,044
Total Nonrevenues	2,262,675	743,202
TOTAL RECEIPTS	\$ 66,604,508	\$ 78,330,406

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2002	2001
DISBURSEMENTS		
STATE OPERATIONS		
Legislative/Judicial/Executive	\$ 1,226,718	\$ 1,047,188
Resources (Note 5)	1,091,844	1,816,778
State and Consumer Services	468,095	465,333
Environmental Protection Agency	374,420	318,920
Technology, Trade, and Commerce Agency	37,273	48,083
Business, Transportation, and Housing	25,586	43,963
Health and Human Services		
Mental Health Hospitals	493,537	455,378
Health Services	237,110	253,520
Other Health and Human Services	551,025	366,087
Total Health and Human Services	1,281,672	1,074,985
Youth and Adult Correctional Agency	4,896,279	4,595,721
Education		
University of California	3,332,938	3,160,156
State University and Colleges	2,598,314	2,399,161
Other Education	189,586	171,491
Total Education	6,120,838	5,730,808
Debt Service	2,309,911	2,265,419
General Government	1,128,620	1,047,796
Interest on Loans	110,647	6,253
Public Employees Retirement System	(95,249)	(28,114)
Total State Operations	18,976,654	18,433,133
LOCAL ASSISTANCE		
Judicial/Executive	1,381,134	1,432,102
State and Consumer Services	90,279	48,355
Resources	64,213	459,835
Business, Transportation, and Housing	5,647	567,027
Environmental Protection Agency	5,281	13,457
Health and Human Services		
Department of Health Services	10,510,869	9,205,099
Department of Social Services	7,257,810	6,949,396
Department of Developmental Services	1,439,799	946,779
Department of Mental Health	334,730	363,011
Other Health and Human Services	1,084,207	783,765
Total Health and Human Services	20,627,415	18,248,050

(Continued)

Schedule of Cash Disbursements (continued)

(Amounts in thousands)

	Year Ended June 30,	
	2002	2001
Youth and Adult Correctional Agency	\$ 129,261	\$ 117,227
Education		
K-12 Education	26,333,915	26,063,406
Community Colleges	2,727,234	2,743,161
Teachers' Retirement System	871,774	902,353
Other Education	2,418,459	1,942,937
Total Education	32,351,382	31,651,857
Tax Relief		
Vehicle License Fee Offset (Note 6)	2,393,925	3,894,253
Homeowners Property Tax Relief	405,460	398,429
Senior Citizens Renters Assistance	147,593	255,923
Senior Citizens Property Tax Deferral and Assistance	48,563	72,676
Subventions for Open Space	37,129	36,163
Miscellaneous Tax Relief	244	255
Total Tax Relief	3,032,914	4,657,699
General Government	615,700	896,913
Total Local Assistance	58,303,226	58,092,522
CAPITAL OUTLAY		
Total Capital Outlay (Notes 4, 7)	411,461	1,866,906
NONGOVERNMENTAL		
Transfer to Special Fund for Economic Uncertainties	2,391,514	—
Transfer to Other Funds (Note 5)	304,480	5,144,369
Transfer to Revolving Fund	69,978	38,361
Advances		
State-County Property Tax Administration Program	6,020	(2,432)
Counties for Social Welfare	(8,108)	(22,705)
Social Welfare Federal Fund	(8,460)	(82,703)
Total Nongovernmental	2,755,424	5,074,890
TOTAL DISBURSEMENTS	\$ 80,446,765	\$ 83,467,451

(Concluded)

Notes to Statements and Schedules

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation** The *General Fund Cash Basis Report* is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent that there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.
- B. General Fund** The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash in the "Special Fund for Economic Uncertainties," if any, in the report's balances, except for the balance titled "Total Cash, June 30."
- C. Nonrevenue Receipts** Nonrevenue receipts are transfers or miscellaneous receipts from other funds that do not represent revenues of the General Fund. "Transfers from Other Funds" are legally authorized movements of money into the General Fund from other funds that are responsible for the initial receipt of the money. "Miscellaneous" nonrevenue receipts include reimbursements that are not credited to a specific appropriation, and certain other receipts that are not defined as revenue.
- D. Nongovernmental Disbursements** Nongovernmental disbursements are transfers or advances to other funds that do not represent expenditures of the General Fund. "Transfers to Other Funds" are legally authorized movements of money from the General Fund, which is responsible for the initial receipt of the money, to other funds that are responsible for the actual expenditure. "Advances" include legally authorized loans to other funds and governmental entities, and the repayments of those loans. Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.

NOTE 2

BORROWABLE RESOURCES

Government Code Sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury to meet the State's short-term borrowing needs. Chapter 268, Statutes of 1984, authorizes the State to borrow from external sources prior to exhausting internal sources. External sources of funds are obtained by issuing Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants (RAWs), and Registered Warrants.

With respect to short-term external borrowing, at the request of the State Controller's Office, the State issued \$5.7 billion in RANs on October 4, 2001, which were repaid on June 28, 2002. On June 24, 2002, the State Controller's Office issued \$7.5 billion in Revenue Anticipation Warrants (RAWs), Series A-C. Series A RAWs, in the principal amount of \$1.5 billion, will mature on October 25, 2002. Series B RAWs, in the principal amount of \$3.0 billion, will mature on November 27, 2002. Series C RAWs, in the principal amount of \$3.0 billion, will mature on January 30, 2003, and are subject to optional redemption on any business day on or after November 27, 2002.

NOTE 3

MISCELLANEOUS MINOR REVENUES

Receipts that are not otherwise categorized are reflected in this account. Significant receipts of this account are: \$380 million and \$76 million received during the 2000-01 and 2001-02 fiscal years, respectively, in relation to the tobacco settlement of November 16, 1998, between eight states and four major tobacco industries; \$222 million and \$329 million received during the 2000-01 and 2001-02 fiscal years, respectively, in association with child support collections; and \$132 million received during the 2001-02 fiscal year from the sale of fixed assets.

NOTE 4

TRANSFERS FROM OTHER FUNDS

The "Transfers from Other Funds" include \$1.3 billion in returns of General Fund resources from the other funds and accounts. The transfers were processed in accordance with the 2001-02 Budget Act, Chapter 1, Statutes of 2002, and various Executive Orders issued during the 2001-02 fiscal year. These returns represent amounts that were transferred from the General Fund to the other funds and accounts during the 1990-00 and 2000-01 fiscal years.

NOTE 5

ENERGY

On January 17, 2001, the Governor declared a state of emergency in relation to the inability of California's investor-owned utilities to purchase electricity. With this action, the Department of Water Resources (DWR) began to purchase electricity on behalf of the investor-owned utilities. Chapters 3 and 4, Statutes of 2001, then established the DWR Electric Power Fund (DWREPF). During the 2000-01 fiscal year, \$5.9 billion and \$302 million were transferred to the DWREPF from the General Fund and the Special Fund for Economic Uncertainties, respectively. During the 2001-02 fiscal year, \$116 million was returned to the General Fund.

NOTE 6

VEHICLE LICENSE FEE OFFSET

Chapter 322, Statutes of 1998, established a phased-in vehicle license fee reduction program. Beginning January 1, 2001, the reduction was increased to 67.5%. The General Fund transferred \$1.8 billion and \$2.4 billion for the 2000-01 and 2001-02 fiscal years, respectively, to the Motor Vehicle License Fee Account and the Local Revenue Fund to offset the impact of these reductions on local governments. For the 2000-01 fiscal year, rebates of \$887 million were made directly to taxpayers from the Special Reserve Fund for Vehicle License Fee Tax Relief (SRFVLFTR), funded by additional General Fund transfers. Finally, pursuant to Chapter 5, Statutes of 2001, \$1.2 billion was transferred to the SRFVLFTR during the 2000-01 fiscal year to provide funding for the 2001-02 fiscal year.

NOTE 7

TRAFFIC CONGESTION RELIEF PROGRAM

A total of \$1.5 billion was transferred from the General Fund to the Traffic Congestion Relief Fund during the 2000-01 fiscal year, to provide funding for transportation projects as specified in Chapters 91 and 92, Statutes of 2000. During the 2001-02 fiscal year, \$238 million was returned to the General Fund in accordance with the 2001-02 Budget Act.