

*Retirement Costs:*

Substantially all State employees participate in one of several State retirement systems (see Note 16). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement expenditures for governmental fund types represent amounts contributed by the State for the fiscal year. Retirement costs have been provided on the accrual basis predicated on actuarial valuations.

*Accrued Workers' Compensation Costs:*

A liability for accrued workers' compensation costs exists at June 30, 1992. These amounts represent the liability for anticipated claims and claims expense for State employees. The State records expenditures in the general fund and other funds as the claims are paid. The accrued workers' compensation costs are reported in the general long-term debt account group and accrued as a liability for the proprietary fund type and higher education fund.

*Employee Benefit Costs:*

Substantially all expenditures for pension, health and Federal Social Security benefits of governmental fund types, including approximately \$518,086,000 of expenditures applicable to teachers and other employees of political subdivisions, are reported as program expenditures in the respective funds when paid. Benefit costs applicable to the proprietary fund type and higher education fund are reflected as expenses or expenditures in the respective funds.

The State also provides in accordance with State Merit System Law, postemployment health care benefits to retired employees and their dependents (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at least 5 years of creditable service, and employees who receive disability retirement allowances or special death benefits). The State subsidizes approximately 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for postemployment health care benefits which is based on health care insurance charges for current employees. During fiscal year 1992, these benefits amounted to \$34,698,000.

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 45 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the general long-term debt account group. Liabilities for accumulated earned but unused annual leave applicable to proprietary fund type and the higher education fund are reported in the respective funds.

The State has eliminated the \$271,305,000 accrued retirement cost liability at June 30, 1991, from the long-term debt account group, as this amount represented unfunded pension benefit obligations, which under generally accepted accounting principles is not required to be included in this account group. The accrued retirement cost liability at June 30, 1991, was also eliminated from the enterprise (\$2,680,000) and higher education (\$48,832,000) funds by adjusting the beginning fund equities.

*Total Memorandum Only:*

The "Total Memorandum Only" column represents an aggregation of the individual combined financial statements and does not represent consolidated financial information.

*B. Governmental Fund Types, Expendable Trust and Agency Funds:*

*Basis of Accounting:*

The accounts of the general, special revenue, debt service, capital projects, expendable trust and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and recognized in the financial statements when they are both measurable and available to finance operations during the fiscal year or liquidate liabilities existing at the end of the fiscal year. Material revenues susceptible to accrual include: federal grants, personal income taxes, sales and use tax, and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. Modifications to the accrual basis of accounting include:

- Interest on long-term obligations reflected in the general long-term debt account group is recognized in the debt service fund when it becomes payable.