

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

Implementation of GASB Statement No. 45

During fiscal year 2008, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards of accounting and financial reporting for other postemployment benefits (OPEB) expense/expenditures and related OPEB liabilities or assets, note disclosures, and required supplementary information in the financial reports of state and local governmental employers. The effects of applying this standard are disclosed in Note 11. The State implemented the requirements for reporting the net OPEB obligation prospectively, which resulted in a zero net OPEB obligation at transition.

As a result of the implementation of GASB Statement No. 45, the retiree insurance benefits programs are now accounted for in the General Fund and several OPEB funds, rather than the State Sponsored Group Insurance Fund (SSGIF). Accordingly, beginning net assets were reduced in SSGIF by \$54.4 million and increased in the State Police, State Employees', and Judges' OPEB funds by \$4.0 million, \$50.2 million, and \$.1 million, respectively.

Western Michigan University, a discretely presented component unit, applied GASB Statement No. 45 retroactively. Accordingly, beginning net assets were reduced by \$113.3 million.

Implementation of GASB Statement No. 48

During fiscal year 2008, the State implemented GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which resulted in the State recognizing amounts due to component units for receivables that were previously assigned to the Michigan Municipal Bond Authority. In fiscal year 2007, the State removed the receivables from local units from the State's financial statements. However, these loans are considered collateralized borrowings of the State rather than a sale. As a result, the State recorded receivables from local units (school districts) with corresponding amounts due to component units, totaling \$511.5 million, for balances as of September 30, 2007.

Eastern Michigan University and Ferris State University

Eastern Michigan University and Ferris State University, discretely presented component units, reduced beginning net assets by \$10.8 million and \$14.0 million, respectively, to reflect a change in classification of balances associated with Federal Perkins loans.

Michigan Economic Development Corporation

Michigan Economic Development Corporation, a discretely presented component unit, increased its beginning net assets by \$26.9 million to reflect prior period adjustments related to a court settlement.

Michigan Early Childhood Investment Corporation

Beginning net assets were increased by \$1.6 million for prior period errors.