

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2000

NOTE 12 – COMPENSATED ABSENCES

A. Primary Government

Plan Descriptions

Employees accumulate annual leave (vacation) balances to a maximum ranging from 240 to 300 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours.

Accounting Policy

The State has accrued liabilities for compensated absences as required by the GASB. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained above, at 0 to 50% plus the State's share of social security contributions. The pay rates in effect as of September 30, 2000, are used. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end. The balance of the governmental fund liabilities are recorded in the General Long-Term Obligations Account Group.

The following table summarizes compensated absences liabilities of the primary government as of September 30 (in millions):

Fund Group	Annual	Sick	Total
Enterprise	\$ 2.1	\$ 2.5	\$ 4.6
Internal Service	3.1	2.9	6.0
General Long-Term Obligations	244.3	218.1	462.3
Total - primary government	<u>\$ 249.4</u>	<u>\$ 223.4</u>	<u>\$ 472.9</u>

B. Discretely Presented Component Units

Compensated absences liabilities of discretely presented component units totalled \$48.2 million and are primarily related to State universities.