

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1998**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Receivables/Deferred Revenue (Continued)**

**(e) Deferred Revenue on Federal and State Grants**

Deferred revenue related to federal and state grants is that portion of revenue that was received but not earned as of June 30.

**Fixed Assets**

General fixed assets acquired or constructed are recorded as expenditures from the applicable governmental fund and are capitalized at cost in the general fixed asset account group. Major capital additions which are being constructed over several years are recorded as expenditures in the applicable governmental fund and simultaneously capitalized as construction in progress in the General Fixed Assets Account Group. When construction projects are completed, they are reclassified from construction in progress to the appropriate general fixed asset category. Improvements include additions, alterations, remodeling and other improvements of any kind to an existing structure, building or real property. Equipment additions which are obtained through capital lease contracts are capitalized in the General Fixed Assets Account Group in the year of acquisition at their total costs, excluding interest charges. Payments of principal and interest on such contracts are recorded as equipment expenditures except for those for telephone equipment from the State Budget and Control Board – Division of Information Resources Management which are recorded as debt services expenditures of the general fund and special revenue fund when the capital lease payments are made. Donated assets are valued at their fair market value when received. Fixed assets are not depreciated in accordance with generally accepted accounting principles for governmental entities. Furniture and equipment costing more than \$1,000 and having a useful life of more than one year is capitalized. Assets transferred to the Commission from another State agency are recorded at that agency's acquisition cost. Prior to July 1, 1997, the Commission capitalized furniture and equipment costing \$500 or more and having a useful life of more than one year.

Interest is capitalized on general fixed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds from the same period.

**Compensated Absences**

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances which commenced on or before June 30, 1998. The Commission calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded in the general long-term debt group of accounts.