

## NOTE 2. ACCOUNTING CHANGES

In fiscal year 2002, the State adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*;
- Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*;
- Statement N. 38, *Certain Financial Statement Disclosures*; and
- Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the State’s governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the State’s statement of net assets will include both noncurrent assets and noncurrent liabilities of the State, which were previously recorded in a General Fixed Assets Account Group and a General Long-term Debt Account Group, respectively. In addition to the fixed assets previously recorded in the General Fixed Assets Account Group, the State retroactively

capitalized infrastructure. The government-wide statement of activities reflects depreciation expenses on the State's fixed assets, excepting infrastructure for which the State has elected the modified approach, as previously described.

In addition to the government-wide financial statements, the State has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The reporting requirements of GASB Statement No. 34, as amended by Statement No. 37, include changes in fund types, elimination of account groups and resulted in fund reclassifications and adjustments to the fund equities reported in the prior financial statements.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. Delaware State University, reported as a discretely presented component unit, adopted the requirements of Statement No. 35.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement 34. While this Statement did not affect amounts reported in the financial statements of the State, certain note disclosures have been added or amended, including descriptions of activities of major funds, future debt service and lease obligations in five year increments, short-term obligations, interest rates and interfund balances and transactions.

Significant reclassifications in fund equities as previously reported on the Combined Balance Sheet include 1) Unemployment Trust Fund and the DeIDOT Fund are now reported as enterprise funds and removed from governmental and trust fund types, 2) the Debt Service Fund reported as part of the General Fund, 3) the Special Revenue Fund is separated into major funds-Federal Fund and Local School Fund, and 4) the amounts related to unreceived grant reimbursements and authorized but unissued bond proceeds are reported as borrowings from the investment pool and deficits. Remaining reclassifications related to various fiduciary accounts that were appropriately classified as agency funds. The schedule on the following page provides additional information related to the reclassifications.

	<b>Governmental Funds</b>				
	General	Federal Fund	Local School Fund	Capital Projects Fund	Debt Service Fund
June 30, 2001 CAFR Fund Balance/Net Assets as previously reported	\$ 762,561	\$ 8,268	\$ 114,232	\$ 194,392	\$ 107,904
Fund Balance Reclassifications	207,851	(7,990)	11,138	(270,167)	(107,904)
Eliminate long-term escheat liability	23,230				
Other Adjustments	10,484	(1,395)	518	31	
June 30, 2001 Fund Balance/Net Assets as restated	<u>\$ 1,004,126</u>	<u>\$ (1,117)</u>	<u>\$ 125,888</u>	<u>\$ (75,744)</u>	<u>\$ —</u>

	<b>Proprietary Funds</b>		
	Unemployment	Lottery	DelDOT
June 30, 2001 Fund Balance/Net Assets as previously reported	\$ —	\$ 941	\$ —
Fund Balance Reclassification	323,696		180,407
Incurred but not reports claims	(3,744)		
Capital Assets net of Debt			2,655,099
Full Accrual Adjustments			(37,294)
June 30, 2001 Restated Fund Balances/Net Assets	<u>\$ 319,952</u>	<u>\$ 941</u>	<u>\$ 2,798,212</u>

	<b>Fiduciary Funds</b>		
	Expendable Trust Funds	Non-Expendable Trust Fund	Agency Trust Funds
June 30, 2001 Fund Balance/Net Assets as previously reported	\$ 349,643	\$ 2,488	
Asset Balances *			\$ 47,543
Fund Balance Reclassification	(349,643)	(2,488)	10,900
June 30, 2001 Restated: Asset Balances - Agency Fund			<u>\$ 58,443</u>
Fund balances/Net Assets	<u>\$ —</u>	<u>\$ —</u>	

	<b>Component Units</b>	
	Delaware State Housing Authority	Delaware Charter Schools
June 30, 2001 Fund Balance/Net Assets as previously reported	\$ 217,698	
Fund Balance Reclassification		\$ 4,200
Other Adjustments	(406)	
Fund balances/Net Assets	<u>\$ 217,292</u>	<u>\$ 4,200</u>