

*Employee Benefit Costs:*

Substantially all expenditures for pension, health and Federal Social Security benefits of governmental fund types, including approximately \$449,361,000 of expenditures applicable to teachers and other employees of political subdivisions are reported as program expenditures in the respective funds when paid. Material benefit costs applicable to the proprietary fund type and higher education fund are reflected as expenses or expenditures in the appropriate funds.

The State also provides post-retirement benefits, consisting of health insurance, to retired employees and their dependents. During fiscal year 1989 these benefits amounted to \$31,692,000. The cost of these benefits are recognized as the benefits are paid.

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.

*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 measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year. Material revenues susceptible to accrual include: federal grants, 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 funds when it becomes payable.
- Inventories of materials and supplies are recorded as expenditures when purchased. Such inventories are not material.
- Obligations for retirement costs, workers' compensation costs and employees' vested annual leave and sick leave are recorded as expenditures when paid.
- Encumbrances represented by executed and unperformed purchase orders and contracts, which are approved by the Department of Budget and Fiscal Planning, are recorded as reservations of fund balance as of the end of the fiscal year.

*Property Taxes:*

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30, on all real and personal property subject to taxation, due and payable each July 1 (lien date), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at various rates of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establishes rates and levies its own tax on such assessed values. The State tax rate since 1982 has been maintained at 21¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Current collections are 98.4% of the total tax levy for fiscal year 1989.