

- 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.

*Income Taxes:*

The State accrues the net income tax receivable or refund due for estimated income tax revenues or refunds due relating to the fiscal year that will not be collected or paid until after the fiscal year. The accrual is computed based on projected calendar year net tax collections, as estimated based upon tax laws in effect, future projections and historical experience. The portion of the receivable that will not be collected within sufficient time to liquidate payables as of year end is deferred.

*Sales and Use Taxes:*

The State accrues as a receivable June sales taxes that are unremitted at year end. These taxes are considered measurable and available as they represent June collections that are remitted to the State in July.

*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 establish rates and levy 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 98.3% of the total tax levy for the fiscal year.

*Intergovernmental Expenditures:*

General, special revenue and capital projects fund revenues paid to political subdivisions and bond proceeds granted to political subdivisions and other public organizations are recorded as intergovernmental expenditures. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

*Capital Outlays:*

Principally all capital expenditures for the acquisition or construction of State general fixed assets are reported as capital outlays in the capital projects fund.

*Reserved General Fund and Special Revenue Fund Balances:*

Loans receivable maturing after June 30, 1992, in the amounts of \$3,795,000 and \$3,183,000, are not available for current operations and accordingly, have been reflected as reservations of general fund balance and special revenue fund balance, respectively.

Portions of the general fund balance and the special revenue fund balance, in the amounts of \$123,592,000 and \$2,480,000, respectively, at June 30, 1992, representing special budgetary and nonbudgeted agency resources, were reserved for agency activities and programs.

A portion of the general fund balance, in the amount of \$11,777,000 at June 30, 1992, has been reserved for the State Reserve Fund. The State Reserve Fund is comprised of a Dedicated Purpose Account, an Economic Development Opportunities Program Fund, a Catastrophic Event Fund and a Revenue Stabilization Account with balances of \$6,383,000, \$2,062,000, \$3,000,000 and \$332,000, respectively, at June 30, 1992. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The major use of the account has been the accumulation of reserves to meet the State's commitment to make payments to insured account holders of certain State chartered savings and loans in