

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 fund 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.

Grants:

Revenues from federal reimbursement type grants are recorded when the related expenditures are incurred.

The GASB has adopted Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," (the Statement), which becomes effective for fiscal years beginning after June 15, 1995. The State plans to implement the Statement during the fiscal year ending June 30, 1996. The Statement requires state governments to recognize their distributions of food stamp benefits as revenue and expenditures. Implementation of the Statement for the year ended June 30, 1994, would have resulted in an increase to general fund Federal revenue and human resources expenditures of \$347,171,000.

Income Taxes:

The State accrues the net income tax receivable or refund due based on estimated income tax revenues and 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, 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 June sales taxes that are unremitted at year end as a receivable. 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 their 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 98.8% of the total tax levy for the fiscal year. Property taxes are accrued to the extent they are collected within 60 days of year end.

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.

C. Enterprise Funds and Pension Trust Funds:

Basis of Accounting:

The accounts of the enterprise funds and pension trust funds are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.