

"Total Memorandum Only" Columns:

The "Total Memorandum Only" columns represent an aggregation of the individual combined financial statements for the primary government and the reporting entity, and do 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 susceptible to accrual are recognized in the financial statements when they are both measurable and available to finance operations during the fiscal year or liquidate liabilities existing at the end of the fiscal year. Material revenues susceptible to accrual include: federal grants, personal income taxes, sales and use taxes, and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. 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.

Modifications to the accrual basis of accounting to reflect the modified accrual basis include the following.

- 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, and employees' vested annual leave and sick leave are recorded as expenditures when paid.

Grants:

During 1995, the State adopted GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." Revenues from federal reimbursement type grants are recorded when the related expenditures are incurred. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

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 since they represent June collections that are remitted to the State in July by collecting merchants.

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 98.9% 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.