

2. Summary of Significant Accounting Policies:

A. All Funds:

Grants:

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other Federal reimbursement type grants are recorded as intergovernmental receivables and revenues when the related expenditures, or expenses, are incurred.

Retirement Costs:

Substantially all State employees participate in one of seven State retirement systems (see Note 15). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. The State funds a substantial portion of its retirement costs at the time the benefits become payable to the participants instead of during the periods of participant employment. For the year ended June 30, 1980, retirement expenditures for governmental fund types represent amounts paid during the current fiscal year and amounts accrued for payment in the ensuing fiscal year. The excess amounts of actuarially determined retirement costs over the amounts recorded as expenditures are carried in the long-term obligations account group. For proprietary fund types, retirement costs have been provided on the accrual basis predicated on actuarial valuations. The excess of retirement costs provided over amounts funded is carried in the proprietary fund types' balance sheets.

Employee Benefit Costs:

Substantially all expenditures for pension, health and Federal Social Security benefits of governmental fund types, including approximately \$163 million of expenditures applicable to teachers and other employees of political subdivisions, are reported as personnel and retirement expenditures in the general fund. Material benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

Intrafund and Interfund Transactions:

Significant transfers of financial resources between agencies and activities included in the same funds, which are recorded as revenue by the transferee and expenditures or expense by the transferor, have been eliminated.

Transfers of revenues from funds authorized to receive them to funds authorized to expend them have been recorded as operating transfers in the financial statements.

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 and assets are recognized when measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year; expenditures and liabilities are recognized when obligations are incurred as a result of receipt of goods and services. Modifications to the accrual basis of accounting include:

- Self assessed taxes, principally income and sales taxes, are recognized as receivables and revenues in the period to which they apply subject to their availability with appropriate allowances for uncollectible amounts.
- Interest on long-term obligations reflected in the long-term obligations account group is recognized in the debt service fund when it becomes payable.
- Inventories of materials and supplies are recorded as expenditures when purchased.
- Obligations for 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.

Investments:

Investments are stated at cost, adjusted for amortization of premium and accretion of discounts, plus accrued income. Such basis approximates market. Short term investments aggregating \$548,068,018 at June