

ACCOUNT GROUPS

General Fixed Assets Account Group:

General fixed assets acquired or constructed for use by the State in the conduct of its activities, other than activities accounted for in the proprietary fund type, the nonexpendable trust fund and higher education and university hospital fund are reflected in the general fixed assets account group at the time of acquisition. As of June 30, 1980 the State established and recorded in the general fixed assets account group the estimated cost of general fixed assets based on available historical cost records. Activity subsequent to June 30, 1980 is recorded at cost. Donated fixed assets are recorded at their fair market value at the time donated. Infrastructure assets, consisting principally of highways, roads and bridges are not recorded in the general fixed assets account group.

General Long-Term Debt Account Group:

Unmatured long-term general obligation and transportation bonds payable, noncurrent interfund loans payable and accrued retirement costs related to general governmental activities are reflected in the general long-term debt account group.

HIGHER EDUCATION AND UNIVERSITY HOSPITAL FUND

Transactions related to the financial activities of State higher education institutions and the University of Maryland Hospital are accounted for in the higher education and university hospital fund. The financial statements of this fund have been prepared in accordance with the American Institute of Certified Public Accountants' "Industry Audit Guide—Audits of Colleges and Universities" and, accordingly, are presented in a separate column in the combined balance sheet.

2. Summary of Significant Accounting Policies:

A. All Funds:

Cash and Short-Term Investments:

Substantially all cash and short-term investments are maintained by the State Treasurer on a pooled basis. Certain funds have disbursed funds in excess of their equity in the cash and short-term investments.

Grants:

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. All other Federal reimbursement type grants are recorded as 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 14). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement expenditures for governmental fund types represent amounts contributed by the State for the fiscal year. The excess amounts of actuarially determined retirement costs over the amounts recorded as expenditures are carried in the general long-term debt account group. For the proprietary fund type and higher education and university hospital fund, retirement costs have been provided on the accrual basis predicated on actuarial valuations. The excess of retirement costs provided over amounts funded is carried as a liability in the respective funds.

Employee Benefit Costs:

Substantially all expenditures for pension, health and Federal Social Security benefits of governmental fund types, including approximately \$267,000,000 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 the proprietary fund type and higher education and university hospital fund are reflected as expenses in the appropriate funds.