

*Employee Benefit Costs:*

Substantially all expenditures for pension, health and Federal Social Security benefits of governmental fund types, including approximately \$375,088,000 of expenditures applicable to teachers and other employees of political subdivisions and \$22,344,000 applicable to retired employees and their dependents, are reported as program expenditures in the respective funds. Material benefit costs applicable to the proprietary fund type and higher education fund are reflected as expenses in the appropriate funds.

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 45 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the general long-term debt account group. Liabilities for accumulated earned but unused annual leave applicable to proprietary fund type and the higher education fund are reported in the respective funds.

*Interfund Receivables and Payables:*

Interfund receivables and payables consist of the following at June 30, 1986 (amounts expressed in thousands):

General fund:	
Due from:	
Special revenue fund .....	\$ 1,944
Agency funds—	
Local admissions and amusement taxes .....	2,410
Payroll taxes and fringe benefits .....	2,207
Enterprise fund - Maryland Higher Education Loan Corporation .....	697
	<u>\$ 7,258</u>
Due to:	
Agency funds -local income taxes .....	<u>\$168,561</u>

*Total Memorandum Only:*

The "Total Memorandum Only" column represents an aggregation of the individual combined financial statements and does 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 are susceptible to accrual and recognized in the financial statements when they are measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year. Material revenues susceptible to accrual include federal grants, income, sales and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. 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 funds 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.
- 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.