

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.

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 taxes, sales tax 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.

Intergovernmental Expenditures:

Expenditures of general and special revenue fund revenues designated for payment 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.

Reserved and Designated General Fund and Special Revenue Fund Balances:

Loans receivable maturing after June 30, 1989, in the amounts of \$4,445,000 are deemed to be not available for current operations; accordingly, the amount has been reflected as a reservation of general fund balance.

A portion of the general fund balance and the special revenue fund balance, in the amount of \$132,738,000 and \$2,107,000, respectively, at June 30, 1988, representing special budgetary and nonbudgeted agency resources, was designated for agency activities and programs.

A portion of the general fund balance, in the amount of \$103,449,000 at June 30, 1988, has been designated for the State Reserve Fund. The State Reserve Fund is comprised of a dedicated purpose account and a revenue stabilization account. The dedicated purpose account is designed to retain appropriations for major multi-year expenditures and to meet requirements which may be impacted by changes in Federal Law or fiscal policies or similar contingency situations. The revenue stabilization account is designed to retain State revenues for future needs and reduce the need for future tax increases by moderating revenue growth.