

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 enterprise funds and the discretely presented component units (proprietary funds and higher education), are reflected in the general fixed assets account group at the time of acquisition. The general fixed assets are stated at cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the time donated. Depreciation is not provided for general fixed assets. Interest incurred during construction is not capitalized on general fixed assets. Infrastructure assets (excluding Maryland Transportation Authority's 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:

General obligation, transportation and Maryland Transportation Authority bonds payable, capital lease obligations, accrued workers' compensation costs and accrued annual leave related to general governmental activities are reflected in the general long-term debt account group.

2. Summary of Significant Accounting Policies:

A. All Funds:

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems (see Note 13). 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. Retirement costs have been provided on the accrual basis, based upon actuarial valuations.

Accrued Workers' Compensation Costs:

The accrued workers' compensation costs represent the liability for anticipated claims and claims expense for State employees. The State records expenditures in the general fund and other funds as the claims are paid. The accrued workers' compensation costs are reported in the general long-term debt account group and accrued as a liability for the proprietary fund type and higher education fund.

Annual Leave Costs:

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 enterprise funds, the proprietary fund and higher education fund component units are reported in the respective funds.

Total Memorandum Only:

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.