

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the State's general fixed assets and the unmatured principal of its general long-term debt and other long-term obligations of governmental fund types. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term obligations require current appropriation and expenditure of governmental fund financial resources.

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 self-insurance 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 15). 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. The GASB has adopted Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans," which becomes effective for fiscal years beginning after June 15, 1996. The State is currently analyzing the effects of this statement and thus has not determined the impact on the financial statements.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary and discretely presented component unit fund types on an accrual basis and the modified accrual basis for the governmental fund types. The long-term accrued self-insurance costs of the governmental fund types not expected to be funded with current resources are reported in the general long-term debt account group.

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