

The State will lease office space from the Maryland Economic Development Corporation under a capital lease starting in fiscal year 1996. The purchase and reconstruction of the property will be financed with revenue bonds. The State's lease payments will equal the Development Corporation's bond payments. Future minimum payments under this capital lease are as follows (amounts expressed in thousands).

Years Ending June 30	Amount
1996.....	\$ 250
1997.....	311
1998.....	308
1999.....	304
2000.....	311
2001 and thereafter.....	<u>3,083</u>
Total future minimum payments.....	4,567
Less amount representing interest.....	<u>1,752</u>
Present value of payments.....	<u>\$2,815</u>

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 1995, the State estimates that no material liabilities will result from such audits.

**19. Landfill Closure and Postclosure Care Costs:**

State and Federal laws require the Maryland Environmental Service (the Service), a component unit, to place a final cover on the Midshore Regional Landfill (Midshore), which is expected to close in 2009, and the Easton Landfill (Easton), which is filled to capacity and in the process of being closed, and to perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. Although closure and postclosure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based on the use of 25% of the estimated capacity of the landfill. The Service recognizes a liability for Easton equal to the estimated total current cost of closure and postclosure care that has not been paid. A \$3,709,000 liability is included in accounts payable and accrued liabilities in the accompanying balance sheet of the Service. Total closure and postclosure care costs are currently estimated to approximate \$11,900,000, as determined through engineering studies. Actual costs may be higher due to inflation.